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2 March 1983

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2374

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CONTENTS

INTERNATIONAL AFFAIRS

Trade, Cooperation With USSR Discussed (FAKTY I KOMENTARZE, 21 Nov 82, RZECZPOSPOLITA, 3 May 82) 1

- General Summary, by Z. Jarzabkowski
- Scientific-Technical Cooperation, Interview Benon Miskiewicz

Bloc Enterprise Managers Polled on Work, Goals (Jolanta Szaban; PRZEGLAD TECHNICZNY, 12 Dec 82) 13

BULGARIA

Renovation of Bulgarian Economy Viewed (B. Averchenko and A. Krushinskiy; PRAVDA, 3 Feb 83)... 21

GERMAN DEMOCRATIC REPUBLIC

Economic Performance Statistics for 1982 Published (NEUES DEUTSCHLAND, 15-16 Jan 83) 25

HUNGARY

Differentiation of Wages To Continue in 1983 (Jozsef Kovacs; HETI VILAGGAZDASAG, 8 Jan 83) 58

Policy of Restraining Investments Viewed (Istvan Dancs; NEPSZABADSAG, 2 Feb 83) 62

Ups, Downs of Small Business Reform Viewed (Agnes Tibor and Tamas Urvolgyi; HETI VILAGGAZDASAG, 1 Jan 83) 66

Problems of Starting Small Businesses Exemplified
(Maria Torocsik; FIGYELO, 6 Jan 83) 70

Marketizing Economy: Results, Impediments, Suggestions
(Andrea Alpar and Ivan Gara; FIGYELO, 20 Jan 83) 75

Payment for Hungarian Export Slow
(Gyula Szalay; FIGYELO, 20 Jan 83) 80

POLAND

Initial Data of 1982 Socioeconomic Plan Fulfillment Assessed
(Andrzej Leszczynski; TRYBUNA LUDU, 14 Jan 83) 83

ROMANIA

Function of Credit as Economic Control Mechanism Discussed
(Nicoale Pretorian; REVISTA ECONOMICA, 17 Dec 82) 88

Deputy Minister Details Machine Building Industry Programs
(Stelian Teodorescu; ROMANIA LIBERA, 15, 24 Dec 82) 94

YUGOSLAVIA

Problems in Planning Iron, Steel Production in 1983
(Mileva Stefanovic; CELIK, Oct 82) 102

Zemljaric Discusses Slovenian Economy's Place in SFRY
(J. Pjevic; BORBA, 22 Jan 83) 108

Briefs
Employment in Croatia 112
Aluminum Exports 112

TRADE, COOPERATION WITH USSR DISCUSSED

General Summary

Warsaw FAKTY I KOMENTARZE in Polish No 20, 21 Nov 82 pp 5-12

[Article by Z. Jarzabkowski; passages enclosed in slantlines printed in boldface]

[Text] /Many myths and misconceptions have grown in our society around the issue of trade with the Soviet Union./ This topic has been and continues to be taken advantage of by diversionary centers of hostile propaganda as well as by political adversaries from under various banners for purposes of sowing hatred between the Polish nation and countries of the Soviet Union [Kraj Rad]. /That is why economic relations with the USSR should be talked about more often and the subject should be returned to time and again and presented in its true light. It is necessary to explain directly, sincerely and without reticence what trade is based on and what aid involves as well as what the relationships between economics and politics are./

/This is especially important now that the crisis is being deeply felt./ Therefore, it should be pointed out from the onset /that our crisis is to a significant degree the result of the global politics being conducted by the U.S. against the Soviet Union and socialist countries./ In addition to such a difficult economic situation, we have become caught in a millstone of Reagan's Cold War politics and it is to be expected that regardless of how we solve our domestic problems, this pressure exerted on Poland will last for as long as the existing general trend of American policy will continue. The West is well aware of our economic situation, our debts and the dependence of our industry on imports from western countries into which we have naively let ourselves become maneuvered and caught in a so-called credit trap.

Until recently, nearly 30 percent of our entire industry depended on these imports. However, there were industries such as for example, the pharmaceutical industry in which about 70 percent of the production of medicinal drugs was based on ingredients imported from the dollar zone [strefa dolarowa]. Without glue imported from the West, shoe and furniture producing factories may come to a stop and without lubricants, oil and raw materials, the same holds true for machinery, etc.

As recently as last year [1981], nearly 100 percent of imports to Poland of raw and other materials such as: Ore and molybdenum concentrates, copper sheet metal, sheet aluminum, leadplate and tinplate, lead, magnesium oxide, zinc chloride, polystyrene, cobalt, tin, rubber latex and others came from NATO countries. For years, these imports, which are indispensable for us, were financed through credit. In such a situation, there is nothing simpler than to introduce restrictions with which it is possible to try to gain compliance in political matters or retaliate for lack of compliance. Mr Reagan and some of his allies are eagerly using this to their advantage. A classic example of this is the suspension by the president of the U.S. of fodder deliveries for poultry farms built on American licenses and credits. It is no wonder then, that Reagan has been dubbed a slayer of Polish chickens. In addition, the contention that this blow directed toward the Polish government and not its people is absurd because it was the people who as a result of this tactic bore losses amounting to 7 kg of meat annually per person. Equally inhumane and aimed at our people was the suspension of the Polish fishing fleet's right to fish in the American fishing zone. This results in a loss of approximately 180,000 tons of ocean fish annually, i.e., approximately 30 percent of our fishing fleet's total catch, not to mention the loss of foreign exchange currency by virtue of fish exports. Thus, taking away from Poland the most favored nation status in trade wit the U.S. is aimed at making it impossible for our country to obtain the means for repayment of credits and purchase of fodder and food.

/The main objective of these sanctions is the hinder the development of our industrial and export production and thereby to deepen the economic crisis./ Moreover, it is also their intent to consciously disorganize our domestic market in order to agitate the public and to intensify a feeling of unrest and animosity toward government action. What can be inferred from this? /It stands to reason that in the future our economy cannot be dependent on the West to the degree that it had been until now./

/It is only against this background that the significance of the development of trade and economic cooperation with the Soviet Union can be evaluated./

It is worth acquainting ourselves with the value of supplies of raw materials, fuel and other materials which constitute the basis for the functioning of our economy. Thus:

--Crude oil: 100 percent of the supplies are imported from the USSR in 1980, approximately 80 percent of crude oil came from the USSR and the rest was purchased from countries belonging to the dollar zone; we cannot affor this today and public as well as private transportation depends on Soviet crude oil);

--natural gas: 100 percent of our supplies are from the USSR and this has been the case for years. In addition, this is a so-called, chemical gas [gaz syntezowy] which is indispensable, above all, for our chemical industry in, among other things, the production of fertilizers as well as in the iron and steel industry,

--iron ore: 85 percent of our supplies are imported from the USSR;

--asbestos: 100 percent;

--cellulose: 84 percent;

--cotton: 98 percent;

--potassic fertilizer: 85 percent.

In 1981, the USSR took care of over 40 percent of our needs for imported raw materials while this year [1982] these supplies will reach nearly 50 percent.

Let the fact that in exchange for these raw materials, we have acquired the opportunity to sell finished products from the Polish processing industry, mainly machinery and industrial installations, attest to how favorable the structure of commodity turnover with the USSR is to our economy. /Currently, we are supplying to the Soviet Union 43 percent of the entire Polish export of machinery and installations whereas during our best period we were unable to export more than 20 percent (in 1979--20.1 percent) to the West./ There are many products in whose production we have come to specialize owing to supplies from the USSR. This in turn has helped us to acquire an important standing in the world.

Among this production we can mention for example, the ship-building industry, factories producing sulfuric acid, sugar factories, the production of certain automotive elements, etc.

Most of the problems in world trade are caused by risk, uncertainty and price fluctuations. This element has been eliminated in trade between socialist countries because it [trade] is planned and based on agreements of long standing. /It is in this very fact that the importer has the certainty of when and how much of this or another commodity he can buy, that we find one of the most important benefits [of trade with socialist countries]/ because it allows the participant in such guaranteed principles of trade to calmly plan the development of his production.

/The greatest amount of rumor, ignorance and insinuations has always surrounded the issue of prices in trade turnover with the USSR/ including the claim that we always give away our commodities for nothing or nearly for nothing while paying very high sums. How do things really look?

On the basis of a long-term agreement, so-called gradually adjusted prices [ceny kroczace] have been in effect for a number of years now, specifically from 1974, within the commonwealth of socialist countries. These are world prices with a built-in "restraining mechanism" for the purpose of protecting our economies, at least in terms of mutual relations, against the effects of price fluctuations which have been occurring since the beginning of the 1970's. Countries belonging to CEMA have agreed to update prices annually, however, not on the basis of current stock-exchange quotations but according to the average world price for a given commodity computed on the basis of the last 5 years. Thus we take the world market prices on given raw materials and products from the past 5-year period and divide by five to obtain the average price in a given year.

/As a result, even though prices are climbing, it is not happening as rapidly as on the western markets. Thus, for example, the price of crude oil imported by way of Poland from the Soviet Union was five times higher in 1980 than at the beginning of the 1970's. On the other hand, crude oil imported from capitalist countries was nine times higher in price./

As far as woolen fabrics are concerned, the difference between prices in 1982 on exports to capitalist countries and to the Soviet Union is 251 zlotys to 332 zlotys: Thus, in this case we receive a 32 percent higher price in zlotys from the Soviet contractor than we would obtain in capitalist countries. The situation is similar in the case of leather-type goods. Here, instead of 507 zlotys, we receive 547 zlotys, i.e., nearly 7-8 percent more than in capitalist countries. On the other hand, this year [1982] we will receive only 80 percent of the price from the Soviet Union that we would obtain from capitalist countries for cotton goods: 80 zlotys for 1 meter is the price we would obtain in capitalist countries while in the Soviet Union--64 zlotys. For linen and burlap, which do not constitute much of an export, we receive 113 zlotys from capitalist countries and 106 zlotys from the Soviet Union. In the export of fuel coke, of which we sell 600,000 tons annually, we receive 8,529 zlotys per ton in the West and 5,461 zlotys in the Soviet Union, i.e., 64 percent of the other price. As far as copper is concerned--129 zlotys in the West and 90.65 zlotys inthe Soviet Union, i.e., 70 percent of the price in the West.

As we have already mentioned, the situation regarding imports is as follows: We pay 44 percent less than in the West for crude oil (our total annual import of crude oil amounts to 13 million tons). When importing cotton, we pay 44.4 percent of the price we would have to pay in the West (we import 105,000 tons of cotton from the USSR). For iron ore, we pay 32 percent of its cost in the West; 75 percent for aluminum; 79 percent for chromium ore; 47 percent for synthetic rubber and 43 percent for viscose cellulose.

/Moreover, in comparing the amount of raw materials imported from the USSR and from the West and also taking into account the existing price differences as well as differences between export and import prices, we will reach the conclusion that all in all gradually adjusted prices are beneficial to us. In examining the issue of the profitability of our trade, it should not be evaluated from the point of view of one, be it very important area. What counts is the end result.

In trade, prices stem from the negotiation of the conditions of a definite transaction. And there is no need to continually stress that the prices which we obtain in socialist countries are always more favorable. This would not be true. To obtain the highest price--that is the ironclad rule of trade which must be binding in this case as well. Naturally, the other party also wants to obtain the most advantageous price for itself. This is exactly what commerce is all about. The introduction to commerce of other elements would not serve a purpose. Between commercial firms, commercial rules of the game must be observed.

/Economic relations between Poland and the USSR are based on normal trade principles much like in every other country./ Discussions and negotiations are conducted which deal with an entire range of positions, prices, etc.

Why then do we so frequently speak of assistance and friendship there where it is a question of trade relations and economic cooperation?

Simply put, the two issues must be distinguished one from the other. At the end of the 1970's our trade balance was still holding. Currently, it is in deficit. /Last year [1981], Polish exports barely covered two-thirds of the imports from the USSR. In this situation, the Soviet Union agreed to a reduction in 1981 of many of our export deliveries without reciprocating in kind./ This concerned hard coal, for example, whose export, for many years amounting to 9.5 million tons annually, reached only 5.5 million tons in 1981. The level of copper deliveries, soda ash, sulfuric acid, paints, varnish, shoes, clothing goods, pharmaceuticals, cosmetics and others was reduced in the total amount of 350 million rubles.

/In spite of obligations resulting from the trade protocol, the USSR granted Poland further assistance in the form of additional deliveries of commodities in the sum of 227 million 400 thousand rubles/, particularly cotton, nitrogenous fertilizers, apatites, potassium salts, platinum, newsprint, rubber, tires, agricultural-ffod products and industrial consumer goods. We obtained credit in the amount of 350 million rubles for the partial balancing of current payment turnover. This credit enabled us to, among other things, finance the above mentioned commodity deliveries. In addition, we received credit to cover the debit balance of amended contractual prices for 1980 in the amount of 175 million rubles. Repayment of installments was deferred on price credits incurred during the years 1976-1979 and whose repayment falls due between 1981-1985; this involves 439 million rubles. Moreover, the Soviet Union granted us credit of foreign exchange currency in the amount of 1 billion dollars. We also received assistance--about which the press informed us--not subject to repayment in the amount of 465 million dollars.

It is anticipated that in 1982, commodity turnover with the Soviet Union will come to approximately 8 billion 400 million rubles. Includes in this sum are Polish exports of 3 billion 700 million rubles and an import of 4 billion 700 million rubles.

In connection with this, our indebtedness in the USSR amounted to 2.5 billion rubles last year [1981]. At the end of this year, our debt will amount--as is estimated--to approximately 3.5 billion rubles. Our economy must, therefore, exert considerable effort in the coming years in order to increase exports to the Soviet Union.

/The Soviet Union has also come to our aid in the form of production assistance./ As a result of a considerable reduction in our import capacity from capitalist countries, /many Polish enterprises were faced with the threat of a serious reduction in or even the complete standstill of production./ This concerned, among others, certain plants of the textile, shoe and machine-building industries And that is when we received production assistance from the USSR which is based on the supplying of raw materials by the Soviet Union for processing in Polish industrial enterprises. /The terms of the recently negotiated trade agreements anticipate that half of the manufactured products (and not as had been agreed upon earlier, 15 percent from this additional raw material pool from the Soviet Union) will remain in Poland for the purpose of enriching our market and only half will be subject to service exports./

The clearing of accounts in these operations is carried out on the basis of generally applied principles, i.e., we buy raw materials at the same prices which we pay at the time of deliveries arising from annual trade agreements while finished products are also sold on the basis of mutually agreed upon prices. Therefore, these are especially favorable transactions because they assure plants their normal operation while at the same time making additional supplies possible which in our payments situation would have to be obtained with free foreign exchange [wolne dewizy].

/It is worth taking note of the share that these additional supplies have in the overall use of particular raw materials. They constitute approximately 6 percent of cotton, 17 percent wool, 3.4 percent synthetic fibers and 9.7 percent of the leather used in our country. By way of example,/ we have received 13,200 tons of leather from the USSR. Its value comes to 14.5 million rubles. From this we can manufacture approximately 8 million pairs of shoes, 4 million pairs will improve our domestic market while the remaining 4 million pairs will make it possible to cover the cost of the entire amount of the purchased raw material with a considerable profit. The total amount of raw material supplies abtained on the basis of these principles will this year [1982] reach a value of over 107 million rubles. This will enable the activation of production owing to which, additional Polish exports will reach a value of over 186 million rubles while at the same time goods worth approximately 8-9 billion zlotys will reach the domestic market.

In addition to the consumer goods industry, such contracts also include the chemical industry, the iron and steel industry, nonferrous metallurgy, the precision instruments industry as well as bearings [lozyska].

/There is yet another matter which should be noted. It is a known fact that there are many unfinished investment ventures in Poland. We have presented to the socialist countries, therefore, also included to the USSR, a package of proposals for the joint completion of these objectives./ These proposals carry heavy weight. In total, we have submitted several dozen investment proposals with a cost-estimate value of about 100 million zlotys which constitutes nearly 20 percent of the investment outlays in Poland last year [1981]. We have submttted, among others, a proposal for the joint continuation of the construction of a continuous pipe rolling mill in the "Jednosc" steelworks with a production capacity of 400,000 tons annually; this constitutes approximately 40 percent of the pipe production in Poland. Another example is the proposal to expand the polyester rayon production plant within the Synthetic Fiber Plant Complex of Torun. This would increase production capacity by about 30 percent. The completion of construction of the glassworks in Sandmoierz can completely satisfy not only our needs but also part of the needs of our partners.

As can be seen, these are serious proposals which encompass an important percentage of the production potential in a given field. They concern long-range ventures; the completion of such investments requires an average of 2 to 3 years. On the other hand, the exploitation of a given facility itself lasts 20 to 25 years. Thus, this represents a mutual involvement of approximately a quarter of a century. This is something which is not frequently encountered in the world economy with the exception of the mining industry. We, on the other hand, are offering such bonds of cooperation in the processing industry.

/Prospects are beginning to outline themselves for cooperation with the USSR for the expansion in Poland of the production of heavy construction machinery, diesel engines, special bearings as well as many other machines and products; for developing coproduction of passenger automobiles, buses and trucks; for shipments from the Soviet Union to Poland of complementary products and from Poland to the USSR of finished automobiles; for the undertaking of production in Poland of special automated systems for metalworking, machinery for the textile industry as well as installations for the comprehensive processing of secondary material from polymers; for the utilization of the power generated by Polish enterprises which are part of the electrical industry; for expanding the production of electrical equipment, particularly cables, electric motors and low and high voltage equipment; for the utilization of the production capacity of Polish enterprises which manufacture electrical equipment and electrical subassemblies, computer equipment as well as communications systems; for the undertaking by us of the production of installations for nuclear power plants (to which we have already committed ourselves); for the expansion of coproduction of installations for ships including ship engines (there is such a possibility both in the "Zgoda" steelworks and in the "Cegielski" plants) and beginning the construction of specialized ships; for the coproduction of heavy caterpillar tractors which at one time were coproduced with western firms; coproduction of installations for comprehensive mechanization in the mining of hard coal and coproduction of installations and production flow-lines for the deep refining of crude oil, etc.

/These are examples of the definite assistance and cooperation today and in the future. This enables us to see more clearly the possibilities of overcoming the crisis, of stepping out onto broader paths of development and of becoming independent of the international economic situation./

For purposes of clarity--we are and will also continue to be interested in the development of trade with the West. We are not separating ourselves from this trade and we are not ruling it out. However, we want to conduct it on the basis of the principles of partnership and mutual benefits and not on the basis of political conditions which certain Western governments are trying to impose upon us.

/In a situation where the West is holding back our credits, restricting or hindering our export trade, curtailing our imports and trying to tighten the noose of indebtedness, socialist countries and particularly the Soviet Union are coming to our aid, offering cooperation and holding out their hand as to a partner who has found himself in trouble./ "A friend in need is a friend indeed"--so goes the well-known Polish saying and that is what counts the most.

Scientific-Technical Cooperation

Warsaw RZECZPOSPOLITA in Polish 3 May 82 p 8

[Interview with Prof Benon Miskiewicz, minister of science, higher education and technology; date and place not specified]

[Text] [Question] The delegation of the Ministry of Science, Higher Education and Technology paid a visit to the Soviet Union. What was the purpose of the visit?

[Answer] We paid this visit on the invitation of the minister of higher and specialized secondary education, comrade V. Yelyutin. We also conducted discussions with the chairman of the State Committee for Science and Technology and vice-chairman of the USSR Council of Ministers, G. Marchuk.

The main purpose of these visits was to find ways of activating scientific and scientific-technological cooperation with our most important partner in this field. It is worth remembering that between 1947-1980, we had educated over 5,000 university graduates and nearly 800 doctors [field not specified] in the USSR and that we exchanged a total of nearly 15,000 sets of technical documentation. The evolution of the forms of cooperation proceeded from the training of cadres in the Soviet Union to the joint conducting of scientific-research and developmental work for the purpose of satisfying the growing needs of the economy of both countries.

For the years 1981-1985, we have agreed upon programs of action both in the area of contact between higher schools [universities] and the economy's scientific facilities [zaplecze] with anticipation of definite and measurable results. It is probably not surprising that in the years 1980-81, there occurred a setback of certain forms of contact. Chaos and the increasing wave of strikes in the academic community hindered considerably the course of cooperation. Its activation is essential from the point of view of our scientific and political interests. However, this is not a return to the content and forms which preceded August 1980. We are looking for new avenues of joint action which are adapted to current needs and which are adequate in respect to the more prospective program plans.

[Question] Have these plans become formulated during the visit?

[Answer] On essential matters, yes. Within the framework of cooperation between higher schools, we recognize the necessity for developing intercollegiate contact with a concurrent clear and precise definition of the scientific goals and tasks. We feel that cooperation in research should dominate the entire scope of our contacts and that this should include the exchange of scientific personnel as well.

Verification of the subject matter of this cooperation is indispensable as is concentration on the most urgent--from an economic standpoint--tasks for the country. We will conduct detailed studies in this respect in the coming weeks.

Agreements are being reached in regard to the joint exploitation of purchased licenses. This is a very important matter for restoring production capacity to our economy.

Finally, there is the question of educating and training cadres. In this case, we presented definite proposals which had been accepted by our partners.

[Question] Science and higher education in the USSR have made significant achievements in research and in education. How is the exchange of scientific and educational information proceeding between our countries?

[Answer] This was the second although perhaps less pronounced purpose of our visit. We became acquainted with the current problems and directions of activity of Soviet higher schools. We were interested in, above all, the problems of the work of the educational system, the modernization of the educating process, the formation of the profile of educating students, their employment opportunities and programs for the development of scientific cadres. Much of our attention was concentrated on the relations between institutions of higher learning and the economy and relations between higher schools and institutions of the USSR Academy of Science. However, an informative end is not an end in itself. We feel it is essential to tighten the bonds of joint research on the issues concerning education in higher schools, the principles of educational policies and the socialist upbringing of academic youth.

[Question] How do you assess the prospects of scientific and scientific-technical cooperation between the PRL [Polish People's Republic] and the USSR on the basis of the recently completed visit?

[Answer] Our Soviet comrades approached our problems with complete understanding and goodwill. A lot depends on us, on the pace of our work and on its quality. We have undertaken this task with intensity immediately upon our return. I personally feel that the need for scientific cooperation arises from primary political and economic causes. Moreover, there exist a far-reaching concurrence of outlook on the role of science in the present-day development of the economy and in the life of society, the methods of using its [science] effects efficiently and the concepts of educating and upbringing.

I am also optimistically inclined because we were greeted with exceptional warmth and friendly attitudes not only during the course of ministerial discussions but also in scientific institutions, among authorities of higher schools, among academic instructors and students. The problems involved in our work were heard with great interest everywhere and we always left convinced of the bonds of friendship which unit us.

Electronics Industry

Warsaw RYNKI ZAGRANICZNE in Polish No 88, 21 Sep 82 p 5

[Interview with Dariusz Lochocki, plenipotentiary to the minister for the electronics industry, by Anna Rzechowska; date and place not specified]

[Text] [Question] When I tried to get in touch with you by telephone for an interview, I was informed by the secretary's office that I chose an inopportune moment. You are very busy and practically speaking--inaccessible. Does this accumulation of work mean that something is going on in the electronics industry?

[Answer] Yes, one can say that a lot is going on in this sector of the electronics industry which manufactures equipment for general use and more precisely--the television receiver sector. We are entering into a great coproduction venture with the Soviet Union. This represents a very important contract for the Polish electronics industry.

[Question] What will be the object of coproduction?

[Answer] We are setting in motion the joint production of the color television set. Agreements have already been transacted and the subject matter is currently being implemented. The new television set will be very modern and will operate on the basis of the integrated circuit system and other electronic elements. It will also be adapted to four types of picture tubes [kineskop]. The screen diagonal will be 20 to 26 inches depending on the type of tube. It should also be stressed that by comparison with the color television sets currently being produced in both countries, this will be a much more energy-efficient receiver.

[Question] When will the first sets come off the production lines?

[Answer] We have accepted a very short period of time for setting their production in motion. On an average, it takes about 3 years to work out a new model for a television set. This one will be ready as early as in the fourth quarter of the coming year [1983].

[Question] What types of components will be supplied by the Polish electronics industry?

[Answer] In general, two-thirds of all parts will be supplied by the Soviet Union while Poland will provide one-third. The loudspeakers, control-adjustment units, some subassemblies and two picture tubes will be ours. The sets [odbiornik] will be assembled in both countries. One of the great advantages of the new television set will be the fact that it will not be equipped with any components imported from western countries.

[Question] How will the Polish electronics industry benefit from this coproduction agreement?

[Answer] The production scale of the new sets will be very large. Therefore, it will assure the full utilization of our plants' production capacity. It should be added that this coproduction with the Soviet Union will involve not only the Warsaw Television Establishments, as the lead establishment, but nearly all domestic enterprises of the electronics sector.

The large scale production will also make it possible to saturate the domestic market with a less expensive color television set. In accordance with the law of economics, extending the series will cause a reduction in the cost of production.

[Question] I am hopeful that perhaps this time, the length [dlugosc] of the series will affect the lowering of prices. Unfortunately, up to now this law has not proven itself in our industry's practice.

[Answer] Our primary aim is to satisfy the needs of the Polish and Soviet markets, although, I feel that the receiver will be attractive enough so that there may be the possibility of exporting it.

[Question] And what about the present Polish color television set--"Jowisz"?

[Answer] We will stop producing it. There continues to be too much imported material i it which we cannot afford. However, we will set in motion the small-scale domestic production of a more modern television set called, "Helios" which will be dependable since it will be based on a smaller number of subassemblies.

[Question] The present coproduction agreement is the greatest joint venture between the electronics industries of Poland and the USSR but is it the only one?

[Answer] We already have had positive experiences with coproduction in the manufacturing of electronic equipment for general use. In 1977, the "Fonica" plants in Lodz entered into the coproduction of phonographs with the USSR. They supply their Soviet partner with only the chassis; on the market these phonographs appear as Polish-Soviet products. The first shipments of "Fonica" phonographs to the USSR reached 30,000 units annually; currently they amount to 240,000 and next year [1983], they are expected to increase to 300,000 units. Thus, the USSR is the largest contractor of the Lodz plant which exports a total of approximately 60 percent of its production with more than half going to socialist countries.

[Question] How are our exports of common use electronic products to all socialist countries shaping up?

[Answer] Last year their value surpassed one-half million rubles while it is projected that the current year [1982] will bring a further increase in this export commodity. The Soviet Union is our largest recipient of phonographs as a result of the aforementioned coproduction with "Fonika"; the GDR is our largest recipient of tape recorders and Czechoslovakia--radio-tape recorders. We are coproducing the latter together with the Czechoslovak syndicate "Tesla" and the jointly manufactured product (the construction and mechanisms are ours) bears the name "Daria". We also sell color television tubes to Hungary, Bulgaria and Romania.

[Question] Modern hi-fi type equipment, which needless to say is unobtainable domestically and which often bears the trade-mark of a foreign firm, fascinated visitors to the "UNITRA" [Electronics and Telecommunications Industry Union] stand at the Poznan Fair. Obviously, this represented the business card of our exports to capitalist countries. How is coproduction with western consignees shaping up?

[Answer] Indeed, part of the equipment shown at the MTP [Poznan International Fair] is produced exclusively for export to capitalist countries because of the rather large input of imported material in this equipment. This is the only way we can obtain foreign exchange for the indispensable imports of components for production as a whole. However, all of these products are based on our construction designs and several purchased patents such as for example, the automatic system of tuning out noise and interference developed by the French firm "Delbi". More than 50 percent of the equipment sold by us on capitalist markets bears a foreign company trademark, although it also frequently has the UNITRA label and the caption "Made in Poland."

The basic range of products exported to western markets are phonographs, radio tape recorders, tower sets [zestawy wiezowe] including primarily tuners, amplifiers and cassette recorders as well as columner loudspeakers. The latter as well as phonographs constitute the most stable position of our export.

The implementation of this year's [1982] export to capitalist countries is proceeding considerably better than last year. It is projected that export sales will exceed 100 million dollars. Together with exports to socialist countries, this constitutes approximately 30 percent of the total value of production.

[Question] I will conclude this interview by expressing the wishes of many potential buyers that the cooperation undertaken by our electronics industry, with socialist as well as with capitalist countries, contribute to a much greater extent, than has been the case until now, to the enrichment of the domestic market with high quality equipment and that we will not have to look at "Made in Poland" products only at international fair events.

The promises made till now that our stores would soon be filled wit electroacoustical equipment of the hi-fi category needlessly aroused public excitement during the entire past decade. Experience revealed how unrealistic these promises were. Tht is why in wishing the industry success in the implementation of the new coproduction agreement, we shall remain skeptical as to its market results. Let us hope that we will not be right this time.

[Answer] This is of great concern to us as well.

[Question] Thank you for the discussion.

9853
CSO: 2600/222

BLOC ENTERPRISE MANAGERS POLLED ON WORK, GOALS

Warsaw PRZEGLAD TECHNICZNY in Polish No 27, 12 Dec 82 pp 23-25

[Article by Jolanta Szaban: "What Managers Think"]

[Text] In 1980 and 1981 the Institute for the Study of Management Organization and Personnel Training in Warsaw conducted a series of sociological research polls focusing on the executive and deputy directors of industrial enterprises. These studies were part of a series of international comparative studies being conducted at the same time in Bulgaria, Czechoslovakia, Hungary, and Poland.

One aspect of these studies involved the polling of management staff on how they viewed their own work. One hundred twenty two directors took part in the studies conducted in Poland, a somewhat lower level of participation than that recorded in the other countries. This is explained by the unusual tenor of those times, a climate which was especially heated in industrial enterprises and not very conducive to this kind of reserach.

The respondents included 32 executive directors and 90 deputy directors representing the electrical engineering, machine building, chemical, food processing, and light manufacturing industries. One of the questions in the poll asked directors to choose from the list that was submitted three goals facing their enterprises which they considered to be most important and three which they considered to be least important. The choices made by these directors may be, although not necessarily so, a reflection of their convictions that these same goals are important either for themselves, for higher authorities, or for society at large.

Polish enterprise directors acknowledged that employee satisfaction is the principal goal of their enterprises (67.2 percent of the respondents). By way of comparison, enterprise directors in Hungary and Czechoslovakia ranked this goal in second place, and Bulgarian directors ranked it in sixth place.

The second most important goal in the opinion of Polish enterprise directors is the performance efficiency of their enterprises (this objective was ranked in anywhere from fourth to ninth place in the other countries), while the enhancement of enterprise profitability was ranked in third place (enterprise directors in the CSSR shared this view, while Hungarian and Bulgarian directors considered this to be a primary objective).

The least important goals in the eyes of Polish directors are: training personnel for jobs in new and future industries (directors from the other countries said the same thing), acquiring a good reputation in the eyes of public opinion, and the productivity of fixed assets.

To the goals written into the questionnaire some directors added a few others such as: increasing deliveries of goods for sale in the marketplace at the expense of coproduction deliveries, meeting social needs, and meeting the needs of the enterprise itself.

It should be pointed out that the views expressed by these directors from socialist countries are highly consistent when it comes to the goals being pursued by their enterprises. Polish and Hungarian directors displayed the highest degree of consensus in this regard.

There were no indications that the size of a given enterprise (as measured in numbers of employees) or the industrial branch which a given industry represented might have influenced these assessments in any way.

It would seem that the high degree of consensus that was found to exist among these enterprise directors is attributable to the predominant role played in the participating countries by marxist philosophy, which emphasizes the satisfaction of human needs. Since the goals cited by these directors as being most important by the official ideology, this means that these goals are being professed more as a declaration of principle than as goals which are perceived and realized by these directors on a day-to-day basis.

In order o put this argument to the test we have to examine the answers given by these directors that pertain directly to their own performance.

Polish directors are concerned first and foremost with the fulfillment of their annual plans. As the next most important goals in this regard they devote their time and energy to:

--proper work scheduling and management;

--making sure that the goods they produce are sold for a profit;

--insuring employee satisfaction.

In addition to these factors, the directors from the other countries pay close attention to the modernization of their plant and equipment, while Hungarian directors also displayed a keen interest in insuring that goods which they produce meet high quality standards.

The findings of this study showed that there is a relatively high degree of consensus when it comes to the views expressed by Polish and Czech directors and a relatively low degree of consensus when it comes to the views expressed by Polish and Hungarian directors. What does all of this go to show within the context of the opinions expressed concerning the goals being pursued by these enterprises? It would seem that the answers to questions .

about goals were more "theoretical," contrary to initial expectations, whereas the answers to questions about actual performance in the workplace were realistic and down-to-earth. By preferring one area of activity over another, under the pressure of their respective circumstances, these directors are undoubtedly guided by the expectations of the authorities who rate the performance of managers and their enterprises.

Of the external and internal factors cited in the questionnaire directors were asked to identify which ones hinder them the most and which ones help them the most in the course of realizing their goals. Sixteen external factors (beyond the enterprise's control) and 14 internal factors were listed.

Polish directors cited the following as external factors which make it more difficult for their enterprises to achieve good performance records:

--the status of the country's transportation system (91.8 percent);*

--statutory provisions governing the management of enterprises (88.5 percent);

--the country's pay scale system (87.7 percent)

--the country's ability to obtain imported goods (87.7 percent);

--the intensiveness of centralized management (85.3 percent).

Polish enterprise directors believe the following external factors help their enterprises to perform well:

--opportunities for marketing their goods in the domestic marketplace (the seller's market -- author's note) (70.4 percent);

--opportunities for selling their goods on foreign markets (64.0 percent);

--relations with local party organs (35.2 percent);

--the country's level of technological advancement (32.0 percent).

By way of comparison, in the other countries the state of the national transportation system was considered to be a factor hindering enterprise performance by anywhere from 58.9 to 50.5 percent of the respondents; legislative restrictions -- 41.6 to 37.0 percent; national pay scale systems -- from 63.5 percent in Hungary to 26.6 percent in Bulgaria; imported goods availability -- from 72.1 percent in the CSSR to 59.0 percent in Bulgaria; the intensiveness of centralized management -- from 39.0 percent in the CSSR to 22.5 percent in Hungary.

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* In this context it is extremely interesting to take note of the comment made by A. Schaff in issue no 21 of TU I TERAZ where, in his reminiscences about W. Gomulka, he says that W. Gomulka "... throughout his term of office was constantly referring to the slack performance of the transportation industry as one of the main weaknesses of our economy."

It would seem that even this kind of a comparative percentage breakdown of the answers given by enterprise directors might serve as a rather good, average indication of the range of problems that exist in the economies of the respective countries.

Polish directors believe that internal factors having an adverse impact on enterprise performance records should be ranked as follows:

--employee turnover (88.5 percent); (this factor was also ranked in first place in all of the other countries;

--slack labor discipline (63.9 percent) (taking second place in Bulgaria and Hungary too);

--geographic locations of enterprises (41.8 percent);

--degree to which workers are held accountable for work performance (27.0 percent);

--internal self-financing practices (25.5 percent) (there were a lot fewer complaints about this factor from directors in the other countries).

The internal factors which directors regard as helping their enterprises to achieve good performance records are as follows:

--the initiative of enterprise management staff (92.6 percent) (directors in the other countries also took credit for exercising a preponderance of influence on the performance of their enterprises);

--the level of employee vocational training (86.9 percent) (a factor which was also highly rated in Czechoslovakia and Bulgaria and somewhat less so in Hungary);

--work scheduling and management standards (81.2 percent) (a factor also considered to be highly influential in Czechoslovakia and Bulgaria; in Hungary directors place a higher premium on their own skills in adjusting to external conditions and on engineering and technological factors associated with the production process).

A comparison of the perceived impact on enterprises by both sets of factors reveals that they believe that their efforts are hindered more by external factors, whereas, conversely, they believe that they are helped more by internal factors, namely, to a great extent by those factors over which they themselves have direct control. This perception of the sources of problems (without going into the essential aspects of this problem and without checking out the extent to which this perception corresponds to real conditions) is justifiable from a psychological standpoint, since it is generally true that one has a better understanding of the shortcomings of others than one does of one's own shortcomings.

More than 50 percent of all the directors polled believe that their enterprises are doing better than others when it comes to the fulfillment of plan targets, export sales of their products, enterprise organizational management standards, and state-of-the-art production process standards.

In Bulgaria less than 50 percent of the directors polled believe that their enterprises are better off than others strictly in terms of average wage levels (i.e., the majority, though not by much, think that wage levels in other plants are higher than or on par with theirs), working conditions, and social services conditions.

In Czechoslovakia the majority of directors polled view their plants as superior to others in terms of plan fulfillment records, the cost-effectiveness of their operations, product quality, and the state-of-the-art standards of their plant and equipment.

Based on a comparison of the ratings which directors give to their own plants, it emerges that they prefer to look on the bright side of things, at least for the benefit of this research project.

A similar phenomenon has been observed in opinion polls of directors of enterprises in western countries. For example, in polls conducted by the IDE Group,* where directors rated such organizational performance features as profits, productivity, growth rates, worker morale, market elasticity, accomodation to new technologies, and personnel management flexibility, it turned out that the ratings given by directors were superior to the ratings given by middle-management types and production line workers. Accordingly, the judgements of directors cannot be regarded as a true measure of so-called organizational success.

There are good and bad sides to the perception that one's own enterprise is doing better than others.

It is good to the extent that it is a reflection of the way in which directors identify with their firms and a manifestation of a sort of in-house patriotism, something which may have positive implications as long as it is not transformed into selfish parochialism.

It is bad to the extent that the conviction that "my-our" enterprise is better than others may be a reflection of a blind or uncritical attitude toward an enterprise that is running its own affairs: "Since things are so good, what point is there in changing or improving things or making innovations...?"

A certain pungency is added to these almost unequivocally positive judgements of the directors' own enterprises by the fact that in these polls we were dealing with so-called high-performance enterprises, so classified by higher-ranking authorities or experts. No major distinctions were noted in the evaluations given by the directors of enterprises so rated as being either superior or inferior.

Naturally, the problem is more complicated than this. Here too the answers supplied by these directors might have been worded in a way designed to "fall short of expectations" of the people conducting the poll or the institutions being evaluated. Directors who were talking about their enterprises in flattering terms may have felt as if they were being called upon to rate themselves and their own work within the organization and in behalf of the organziation. Nor can one overlook the possibility that these directors may have had a purely personal interest in rating the performance of their plants in glowing terms, e.g., in order to dampen fears about the real state of affairs in their organizations in their own minds, but first and foremost in the minds of their immediate peers within the organization.

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*"Industrial Democracy in Europe," by the IDE Group; Clarendon Press, Oxford, 1981. Twelve countries were surveyed in these polls.

It goes without saying that enterprises belonging to the same sector of the economy differ from one another in many respects, among which the cost-effectiveness side of things is a factor which is most often taken into account when dispensing performance ratings.

Distinctions arise between different organizations under the influence of both objective and subjective factors. It seems as though in our present economic environment the critical factors are those which are largely beyond the control of the organization itself. Thus, for example, the way in which a given enterprise is managed (who manages it and how), though it is unquestionably important, is still a secondary matter, which is not the same thing as saying that it is a matter of minor importance.

Higher-ranking officials, in the course of rating the performance of enterprises in accordance with cost-effectiveness criteria not always considered to be the best, are more inclined to dispense rewards for the achievements of a given enterprise to the organization as a whole rather than to its management. This at least is the opinion of the latter. When questioned about the ways in which their enterprises have been singled out for commendations over the past 5 years, Polish directors mentioned the following instances most of all:

--"visits to the plant by delegations from other enterprises" (they were sent there on the initiative of a combination of higher-ranking authorities-- industrial associations or government ministries -- or they were sent off to visit enterprises basking in the glory of having been designated leading producers in their particular sector);

--"positive reports about the plant in the press and on radio and TV;"

--"personal awards bestowed on members of the management staff;"

--"trophies won by the enterprise" (usually in reference to the First-Class Labor Banner);

Among the other ways in which enterprises have been honored, directors mentioned such things as the title of model enterprise in a given industrial sector, participation in contests, certificates for winning first place in industry-wide export sales and output competitions, letters of commendation, certificates awarded for being leading producers for the marketplace, medals awarded at international trade fairs, honors bestowed by the Polish Chamber of Foreign Trade, and playing host to visits by foreign delegations.

In all of the countries which participated in this poll the most frequently mentioned honor was usually favorable reporting in the mass media and visits to the plant by delegations from other enterprises.

The findings of this study show that it really is true that enterprises regarded by higher-ranking officials or experts as being better than others are more often the beneficiaries of honors bestowed in all of the ways mentioned above. This might serve to attest not so much to the objective nature of these evaluations as to the consistency of the authorities in rewarding those plants which they themselves have rated highly (the number of visits to good plants by workers from other enterprises and the number of favorable press reports may regarded as being directly proportional to the evaluations of the performance of these enterprises by the authorities).

Since these directors state that their own work has a significant positive impact on the overall performance of their enterprises, it would be a good idea to take a look at which of their day-to-day activities they deem to be particularly important. On this score Polish directors attribute the greatest importance to the following activities:

--the coordination of enterprise business activities (95.9 percent);

--supporting the fulfillment of objectives (95.1 percent);

--supervising the fulfillment of objectives (92.6 percent);

--drawing up objectives (91.8 percent);

--evaluating the fulfillment of objectives together with subordinates (91.8 percent).

It was noted that directors from three of the countries under review (Hungarian directors did not respond to this question) were very much in agreement on the subject of the most critical kinds of management functions, even though there were some noteworthy differences of opinion. For example, Polish directors considered consistent compliance with decisions already made to be of minor importance, whereas the Czechoslovaks and Bulgarians thought that this goes a long way toward helping an enterprise to achieve a good performance record.

It is interesting to note that in all of the countries great importance was assigned to work supervision, which was considered to be more important than any of the other management functions, i.e., planning, organization, or personnel work.

In conclusion, let's draw some comparisons, based on the opinions expressed by Polish directors, between the hierarchy of priorities assigned to the goals being pursued by enterprises and to management functions, also including preferred areas of concentration in discharging their management duties.

Enterprise Objectives	Relative Importance of a Given Function in Support of Enterprise Activities	Areas of Concentration in the Performance of Management Duties
1. Employee Satisfaction	1. Coordination of enterprise business activities	1. Fulfillment of annual plans
2. Enterprise performance efficiency	2. Supporting the fulfillment of objectives	2. Proper work scheduling and management
3. Enhanced profitability	3. Supervising the fulfillment of objectives	3. Profitability of goods produced
4. High product quality	4. Planning for the fulfillment objectives	4. Employee satisfaction
5. Stability of enterprise operations	5. Discussion of objectives with subordinates	5. High product quality

This comparison reveals that directors are focusing their attention first and foremost on the realization of economic and organizational goals, and only after attending to these matters do they turn their attention to achieving high product quality ratings and providing for employee satisfaction. Consequently, these directors are conducting themselves in a realistic manner in line with the expectations of the authorities, being mindful of those things for which they will ultimately be held accountable.

Of course, all of these opinions cannot be automatically regarded as being consistent with the way things are really run in enterprises on a day-to-day basis. However, many studies conducted in Poland and abroad have shown that directors actually devote most of their time and energy to carrying out the tasks assigned to them, primarily including the fulfillment of plans. This is because it is on this basis that directors themselves and the enterprises which they manage are evaluated.

11813
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RENOVATION OF BULGARIAN ECONOMY VIEWED

Moscow PRAVDA in Russian 1 Feb 83 p 4

[Article by B. Averchenko and A. Krushinskiy, special "Pravda" correspondents, Sofiya]

[Text] The fires of festive bazaars have been extinguished; there in brightly painted chests presents for any taste were proposed and smart lads in national costumes poured dry wine from oak barrels. Children's concepts were covered under the fantastic name of "Unusual Adventures of Uncle Frost in Space." Working weekdays have set in. With what achievements and problems were the Bulgarians entering the central year of their 8th Five-Year Plan? What pleases and agitates them, and what are their plans and needs?

We have completed a long journey in that wonderful country. We traversed Bulgaria by automobile on a diagonal from its "warmest" city Petrich, which lies in the extreme southeast, to General-Toshevo in the northeast. We saw areas like the Ukrainian steppes, the cornfields of Dobrudzhi and the passes of Stara Planina threading into the sky. We met with party workers and scientists, with workers and rural laborers. The tales of veterans, guide-books and reference works helped us to "travel" also in time, to objectively estimate the present and effectively compare it with the past.

"Prewar Bulgaria," wrote the American magazine "Newsweek," had ten miles of heavy-duty roads and produced an amount of electricity that would not be enough for even the advertising signs of Times Square in New York. The peasants became old people at 30 years of age. Children never saw an automobile or heard a radio..."

This is hard to picture, when you drive on the excellent paved main highways, with a total length of more than 32,000 kilometers, when you see villages around you lighted by electric light and you know that atomic reactors have been erected in the country to serve man. To that one must add that today's Bulgaria is in first place in the world in the production of auto- and electric-loaders, calcined soda, tomatoes and sunflowers. It is in the first ten countries according to the index in the production of sulfuric acid, nitrogen fertilizer, the output of electronic articles, of wool and cotton fabrics, artificial fibers, the harvesting of wheat, corn, apples and grapes.

And, finally, a great deal is said by the fact that the average length of life of Bulgarians has grown from 56 to 73 in the last 3½ decades.

All these striking changes are a result of persistent labor, of the creative daring of the industrious and talented Bulgarian nation building under the leadership of the Communist Party a society of developed socialism.

At the same time, in meetings with soviet people the Bulgarian friends always note with gratitude that in that rapid movement of their republic forward a very important role was played by comprehensive support by our country. Yes, the capacities created with the technical cooperation of the Soviet Union now assure the production of about two-thirds of all the industrial output of the PRB, including almost all the ferrous metallurgy and four-fifths of the electric power and petrochemical production.

An especially large step in the socialist path of Bulgaria was made in the last two Five-Year Plans, when the economic potential of the country was doubled. Now the communists are leading the masses in an assault on new heights. Such is the appeal, such is the decision of the 12th BCP Congress.

That highest forum of the Party, in interpreting the work of which we happen to have participated, occupies an important place in the history of the BCP already by virtue of the magnitude of the discussed problems. Summing up the results of the years, it determined the prospects for the future to 1990, advancing qualitatively new tasks.

As is known, the creation of the modern economy of Bulgaria started 3½ decades ago practically from zero. In carrying out the industrialization the BCP was able to use extensive methods of development. Five-Year Plan after Five-Year Plan new enterprises were erected into which the little-qualified working force was drawn from the overpopulated villages. As a result the share of the rural population was reduced in Bulgaria from 80 to not quite 40 percent.

The 12th BCP Congress noted that the possibilities of extensive development are in the main exhausted, although shortages of people are characteristic of it. In a report of the Central Committee to the Congress Comrade Todor Zhivkov cited such of them as the irrational use of material and labor resources, unsubstantiated increase of personnel, insufficient efficiency of the work of specialists, scattering of capital investments, and slow growth of the technical, technological and organizational level of production.

With consideration of the enormous economic and spiritual potential created under people's power and the more mature social relations the Congress developed a strategy of universal intensification. In that case the mechanization and automation of production is stressed, as area the wide use of leading experience and economy and thrift.

Almost 2 years have passed since those days. What have the results been? The first year of the Five-Year Plan has been successfully completed. In the second year which has passed a noteworthy step forward also has been made: the country's national income has risen 4 percent since 1981. The enterprises of the republic have produced 460 million levs of product in addition to the production plan.

And how concretely are the decisions of the Congress implemented in the field? We became acquainted with matters and the concerns of the Sliven workers. That center is one of the 27 okrugs of the PRB, eighth in the size of its cities which contain 100,000 inhabitants.

It is a picturesque view at the foothill of Stara-Planina. Sliven has long been a major center of the formation of Bulgarian culture. One hundred and fifty years ago the first factory in the country appeared there. Yet more than half the productive assets of Sliven have been introduced into operation during the last [illegible] decades.

"It would seem that everything is in order. But in fact it is not so," says Velichko Petrov, first secretary of the BCP okrugkom. "The time to replace such equipment has already come. Technical progress is rapid. You do not watch--and the machine tools which would have greatly pleased us not long ago have become obsolete. To keep ahead, we must do that, it is necessary to keep step with scientific and technical progress."

A visit to the Sliven plant "Dinamo" could convince us of the justice of those words. In its shops there is order and cleanliness. Everywhere there are posters calling for fulfillment of the decisions of the 12th BCP Congress. It is understandable that we are especially interested by a bright poster reading "For Soviet orders--a working guarantee!" "Dinamo" is rightly referred to as an "offspring of Bulgarian-Soviet friendship." The plant was built with the technical collaboratio of our country and went into operation simultaneously with the AvtoVAZ, with which it is linked in close cooperation: about two-thirds of all the starters and generators for the "Zhiguley" plant are produced there. We have been told that deliveries to Togliatti are accomplished ahead of schedule, as a rule. The plan is also successfully fulfilled for other indicators.

Today this is a good, leading plant. But it also is necessary to look at tomorrow, they tell us. In examining the shops we saw many modern machine tools with programmed control. However, there also were obsolete machines there, and manual labo predominates in a number of sections. Its share here, in the words of the director of the enterprise Lyubomir Cheshmedzhiyev, is relatively small--28 percent. On the whole in the industry of the PRB about half of all production operations is performed manually. The attention of party and economic organs, and trade unions in the entire country, has been turned now to this problem. At Sliven, for example, an inventory has been taken of manual operations at plants and factories. The card file has 2500 recorded items. Practical measures have been developed to solve that problem.

"The implementation of those measures has been taken under the control of party organizations," we were told by the secretary of the party okrug committee, Talimka Yordanova. "To reduce manual labor and increase its productivity, a robot or computer is not at all always necessary. In some cases it proves sufficient to introduce an uncomplicated rationalizer's proposal. It is comforting that our card file of manual operations becomes thinner with each day."

As the main direction of the further strengthening of the material and equipment ba of the country the 12th BCP Congress determined above all a qualitative improvement of the production and technical equipment and the introduction of the latest achiev ments of scientific and technical progress. The conversation at the "Dinamo" also dealt with this.

"Picture to yourself the shops of our enterprise: an area the same as now, and with just as many workers (about 2,000), but producing three times as much. And this is no fantasy," said L. Cheshmedzhiyev warmly. "It is precisely such indicators that we must achieve in the middle of the next Five-Year Plan thanks to reconstruction of the enterprise."

A striving to renew and improve production is characteristic of many collectives of Sliven enterprises. In the okrug a course is being systematically implemented toward reconstruction and modernization, indicated by the party several years ago. Thus, the 11th BCP Congress, held in 1976, determined that about 70 percent of the capital investments envisaged for material production must be allocated to modernization, reconstruction and expansion of capacities of enterprises corresponding to that. However, they have not rapidly succeeded in ending the practice of scattering resources on numerous new situations typical of extensive development. As a result, in the years of the preceding Five-Year Plan considerably fewer resources were assigned to reconstruction and modernization than had been envisaged.

This is why the 12th BCP Congress especially emphasized "an investment policy subordinated to the tasks of modernization and reconstruction of existing capacities and increase of the efficiency of capital investments... The expansion of existing capacities, especially new construction, is allowable only in the case where the possibility of modernization and reconstruction of production have disappeared and the complete loading of existing production capacities has been assured " Still the realization of this situation, as we were told in the PRB Gosplan--is not simple; many resources are diverted by new large construction sites...

We will not conceal that it is very difficult, said Bulgarian friends, to get rid of unfinished matters, to increase the return on investment. There also are other problems. Thus, many new enterprises upon going into operation at once encounter the problem of how to assure themselves a working force. We were presented such an example. In the shops of a large hardware plant recently built in the city of Roman a considerable portion of the costly equipment is standing due to a shortage of qualified personnel, and of workers on the whole. The planned capacities are organized here with delay.

Bulgarian friends see such "bottlenecks" and strive to do everything possible to eliminate them. Special attention, as required by the Party forum, is given to the training of personnel and the development of creative activity the workers.

Today's Bulgaria lives upon the ideas of the 12th BCP Congress. Numerous meetings and conversations have invariably convinced me that the country, having been converted during the years of people's power from the "backyard of Europe" into a modern industrial-agrarian state, into an authentic pearl of the Balkans, now is accomplishing a rearrangement, a concentration of forces for a new dash forward. It is confidently proceeding along the path of renewal.

2174
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East Berlin NEUES DEUTSCHLAND in German 15-16 Jan 83 pp 3-5

[Report of the State Central Administration for Statistics on the Implementation of the 1982 National Economic Plan]

[Text] In 1982, thanks to the industry, the creativity and the achievements of the working class, the cooperative farmers, the members of the intelligentsia and the entire work force, outstanding accomplishments were performed in the further realization of the decisions of the 10th SED party congress.

As a stable socialist state, the GDR has made good progress in the further formation of the developed socialist society. Its path is characterized by continuity, growth, full employment and social security of the working population. It is of great political and economic importance that the GDR's national economy develops stably and dynamically.

The unity of economic and social policy has proven itself as a source of creative initiatives, with which thousands of work collectives do their best in the interest of the entire society to further strengthen our socialist fatherland.

The economic and social policy results that have been achieved, as well as the work on the promising tasks of the future provide convincing evidence that the socialist planned economy is quite flexible in adjusting to the changed conditions of the 1980's and that the economic stratgy of the 10th SED party congress is proving to be realistic.

There was again strong economic growth in 1982. In some areas the asserted rates were somewhat higher. The achieved growth is internationally remarkable.

Indicative of the successful continuation of the economic strategy for a large increase in output in the GDR national economy decided at the 10th party congress was and is the basic orientation given by Comrade Erich Honecker, general secretary of the SED Central Committee during the 4th and 5th session of the Central Committee and in consultation with the first secretaries of the district commands in February 1982. It has been reflected in substantial economic growth and in improvements in efficiency.

In the socialist competition organized by the unions under the slogan "Large growth in output through rising labor productivity, efficiency and quality--everything for the good of the people and peace!" the commitments were met and exceeded in important areas. Industrial work collectives have an especially large part in that. Products valued at M 2.9 billion over the planned targets of the industrial groups and enterprises were made available for supplying the population and the economy, as well as for export. This exceeding of targets was achieved mainly through better use of domestic raw materials and the economic application of the available stocks of energy, raw materials and materials, as well as through the increase in labor productivity. Great impulses for new innovation to increase output and efficiency resulted from the Leipzig seminar of the SED Central Committee with the general directors of the industrial groups and the Central Committee party organizations. In the industrial production of goods, the industrial groups exceeded the plan by more than 2 days' output. Thus, the commitments were surpassed.

Socialist agriculture has made an important contribution to the successful development of the GDR economy. Thanks to the diligence of the cooperative farmers and workers of socialist agriculture, it was possible to bring in the biggest grain harvest ever in the history of the GDR.

The positive results achieved in all areas of the national economy were possible only because the intensification of production was substantially heightened and the relationship between expenditures and results was made more favorable. Greater total economic output was achieved.

The great growth in output results chiefly from the increase in labor productivity.

In 1982, substantial progress was attained in material economy. For the first time it was possible to achieve growth in final products for supplying the population and the national economy and for export, mainly through greater processing with less use of material and energy in absolute terms. In 1982, to a large degree, heating oil for the production of heat and energy was replaced, above all with brown coal.

It is of great political and economic importance that the industrial groups surpassed their commitment to give back to the state supplies of raw materials, other materials and energy on the order of M 1 billion. In all areas of the national economy costs were reduced as compared with the previous year. In industry the highest annual cost reduction ever was attained.

The chief factor in the far-reaching intensification and rationalization of production was more and more science and technology. It was possible to accelerate scientific and technical progress and to make the findings more usable economically. The proportion of top achievements in products and technologies was increased continuously. The increase in distributable final products and the lessening of consumption in production were substantially the result of more processing and exploitation of the available energy sources, raw materials and other materials. Researchers, engineers and innovators have contributed to the greater efficiency and better quality achieved through science and technology by applying new scientific and economic solutions.

The development of the material and technical basis occurred mainly by way of modernization and innovation. To a large extent new operating principles, up-to-date technologies and procedures for further processing of products, as well as for saving jobs and labor time, have been made effective in production. To a greater degree microelectronics and robot technology are being used to modernize existing technology and in the automation of entire technological processess. Currently, 21,900 robots are being used in the economy. At the same time, that contributed to the further improvement of working and living conditions.

Significant efforts were also undertaken to extend the material and technical basis for extracting and processing domestic raw materials.

The socialist economic integration with the USSR and the other member countries of the CEMA has been systematically further heightened as the decisive prerequisite for the stable economic and social development of the GDR.

In carrying out the program of specialization and cooperation in the production of the GDR and the USSR through 1990, another 30 cooperative agreements were signed in 1982. Thus, there are currently 175 governmental and ministerial agreements between the GDR and the USSR for economic and scientific-technical cooperation. They are especially concentrated in areas that determine scientific and technical progress and that accelerate the introduction of up-to-date technologies into industrial and agricultural production.

The already existing material and cultural standard of living of the people was consistently secured and gradually increased further. Thus, housing conditions were improved for 558,000 citizens in 1982. The real income of the working population continued to rise. The social security was guaranteed and expanded. As in the preceding years, a good education was available for all children in the nation. Everyone has a secure career and job and multiple social benefits were proved for families, especially for children and working mothers.

As an indivisible part of the national economic plan, the tasks of national defense and internal security and order were comprehensively carried out.

The youth have a significant part in the good economic development in the "peace reserve of the Free German Youth FDJ ." The young workers attain outstanding results in the more than 40,000 youth brigades, in the central youth enterprises "FDJ Initiative Berlin," "Natural Gas Line Soviet Union," "Gasline Construction GDR," "Electrification of Sections of the GDR Railroad" and "Havel Fruit," as well as thousands of other youth enterprises, in the FDJ initiatives, "Microelectronics" and "Industrial Robots" and in the movement "Fair of the Masters From Tomorrow."

Also impressive are the good results in the citizens' initiative of the GDR National Front "More Beautiful Cities and Communities--Take Part!" surpassing the previous year's results in important items.

The following principle results were attained in carrying out the 1982 national economic plan:*

--The national income produced rose 3 percent to over M 200 billion. The decisive contribution to increasing national income came from industry. Net production in the area of the industrial ministries rose 5 percent. Weather-related production declines in plant production and animal losses caused agriculture to contribute less to national income than in the previous year.

The increase in national income attained in 1982 is mainly the result of the increased use of the qualitiative economic growth factors: It was achieved principally through the increase in labor productivity with an absolute decline in the use of energy, raw materials and other materials. Thus, the relationship between production consumption and the national income produced was further improved.

--The industrial production of goods rose 4.3 percent in the area of the industrial ministries and 3.2 percent in the national economy. The state requirements for the industrial production of goods were met with 100.9 percent in the national economy and with 100.8 percent in the area of the industrial ministries. The industrial groups exceeded the plan by more than 2 days' output in industrial goods production. This result was achieved without using additional supplies of energy, raw materials and other materials.

--The increase in industrial output is based mainly on higher productivity and efficiency. It was possible to attain the growth in industrial goods production with less actual raw materials, other materials and energy than in the previous year. Especially significant is the fact that the specific consumption of the important energy sources, raw materials and other materials fell more than 6 percent. Basic material costs per M 100 in goods produced were lowered 2.6 percent.

--Scientific and technical progress was accelerated and economically its findings were put to better use. The production of first-class products for export and supplying the national economy rose 13 percent compared to 1981. The increase in labor productivity in industry was due to the increased use of scientific-technical findings and their more rapid adaptation in production. In the national economy, 590 million man-hours were saved through scientific-technical measures. That is equivalent to the work capacity of 280,000 workers.

--The quality of industrial production increased further. In 1982, industrial goods with the quality mark "Q" valued at M 61 billion were produced. With respect to utility value, costs, product life, reliability and design, numerous products recently introduced into production help to determine advanced international standards.

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*Preliminary data

--Through the accelerated completion of investment project already under way, a useable investment volume 5 percent greater than in the previous year was completed.

To a greater degree than in previous years investment activity was oriented toward rapid economic exploitation of scientific and technical findings and toward shorter completion times. Rationalization investments were carried out in large scale for the modernization of the existing basic stock and improving its efficiency.

--Construction production rose 4.2 percent compared with the previous year. The plan was met with 101.0 percent. The planned net production was surpassed. In 1982, for the first time it was possible to achieve the increase in output in the construction industry with less actual material, energy and transportation services than in the previous year. That contributed significantly to lowering basic material costs per M 100 production in the construction industry 2 percent against the plan. Construction expenditures in the national economy were reduced M 1.2 billion.

--The best annual result ever was achieved in housing construction. There were 187,053 housing units newly built or modernized. That is 7,458 units more than planned. Thus, housing conditions improved for 558,000 citizens, especially in the centers of the working class.

--Thanks to the diligence of the cooperative farmers and agricultural workers, the annual hectare-yield for grain was the highest ever with 3.98 tons. The grain harvest was more than 1 million tons larger than in the previous year. The plan for the state yield in animal products was surpassed for chicken eggs. The planned yield was not fully attained for meat animals and milk. Altogether, at the end of the year animal stocks were at the planned level. In 1982, the fruit yield was the highest ever. Autumn cultivation occurred at the planned level and quality was high. The forestry tasks were completed.

--The transportation tasks of the national economy were performed at a lower level of economic expenditures than in 1981. It was possible to fulfill the national economic requirements with a lower volume of transportation. There were 83 million fewer tons of goods moved than in the previous year. The specific transportation expenditure in the national economy was reduced 8 percent. Decisive in that regard was the more rational formation of delivery and transportation relationships, as well as the shifting of transportation from the highways to the railroads and inland shipping. That led to the improvement in the economics of transportation and to the reduction in the use of fuels and energy.

--Through high output by the work force in production and export enterprises, GDR exports rose 14 percent. With two-thirds of total foreign trade, the most important portion of the GDR's foreign trade was with the socialist countries. Trade volume with the GDR's largest trade partner, the USSR, rose 10 percent. High rates of increase were achieved in exports to the developing countries and to capitalist industrial countries.

--Indicative of the social security of GDR citizens is the fact that benefits and allowances out of state social funds rose to M 61.3 billion in 1982. Thus, more than M 3 billion more than in the previous year were made available for housing and the maintenance of stable rent prices, for guaranteeing stable consumer prices in basic goods and fares and for satisfying the growing health, social and intellectual-cultural needs of the population.

--In accordance with the growing services provided, the population's net monetary income increased M 3.4 billion of 3 percent compared with the previous year. Average monthly gross income of workers and employees in publicly owned enterprises rose to M 1,075. The population's real per capita income increased 3.3 percent.

--Retail trade volume rose to over M 103 billion. The plan for the production of finished goods for the people was exceeded. Services and repairs for the people increased M 360 million.

--In public education, the efficiency and quality of instruction were continually improved. The material and personal conditions for the all-round education and training of the children and youth have continued to improve. Completed were 2,539 classrooms, 151 school gymnasiums, 410 places in boarding schools and homes and 28,139 places in kindergartens.

--In the health sector, the medical and social care of the population was further expanded. New work places were established for 262 physicians and 250 dentists. For citizens who are older and who need care, 4,782 places in old age and nursing homes and 3,714 places in rooming houses were completed. Treatment was given to 360,000 adults and children.

--Physical education and sports continued to boom. Their mass character was realized more extensively in all areas, especially in sports for children and youth and in spare-time and recreational sports.

Berlin, the GDR capital, continued to be developed as the political, economic and intellectual-cultural center or the socialist GDR. Contributing in this was the work force of all districts and areas and above all the 14,000 youths delegated to the central youth enterprise "FDJ-Initiative Berlin."

I. Industry

Thanks to the comprehensive initiative and the hard work of the workers in socialist competition, the plan for industrial goods production was surpassed in every month.

Industrial goods production in the area of the industrial ministries increased 4.3 percent. Net production rose 5 percent. This is an indication of both the increase in the material volume of production and the increase in efficiency, especially the successful lowering of the specific consumption energy, raw materials and other materials, as well as the greater processing of products. In 49 industrial groups, net production grew at least 10 percent. Industry's portion of the economy's final product continued to increase.

The state requirements for industrial goods production in the area of the industrial ministries were met with 100.8 percent. Thus, goods valued at M 2.9 billion over the plan were produced by the industrial groups and enterprises to supply the people and the national economy and for export. That represents the volume produced in more than 2 days of labor. This exceeding of the plan was achieved mainly through the better use of domestic raw materials and the economical application of the available energy, raw materials and other materials.

The targets in all industrial areas were reached or surpassed.

Enterprise in the Area Of the Ministry for	Completion of the State Plan for Industrial Goods Production for 1982 in Percent
Coal and energy	100.8
Ore mining, metallurgy and potash	100.7
Chemcial industry	100.9
Electrical engineering and Electronics	100.8
Manufacture of heavy machinery And equipment	100.8
Manufacture of tools and Processing machinery	100.8
General machinery, agriculture Machinery and vehicles	100.7
Light manufacturing	100.8
Glass and ceramics industry	100.8
Geology	100.6
Industry under district Management and food insutry	100.9

From the 133 industrial groups under central management, 130 met or exceeded the state requirement for industrial goods production. The efforts of the work force to attain a decisive improvement in the relationship between expenditures and results are reflected in the exceeding of the targets for net production. An exceeding of the plan by 2 percent and more was achieved by industrial groups such as the tubing group Riesa, the Rostock shipbuilding group, the Berlin group for railed-vehicle construction, the chemical fiber group "Wilhelm Pieck" Schwarza, the petrochemical group Schwedt and the Schwerin leather goods group.

The deciding factor in the exceeding of the targets for net production was that basic material costs per M 100 goods production were lowered 2.6 percent compared to the previous year. The profit plan was met.

In the area of the district economic councils, the planned industrial goods production was met with 101.7 percent. All district economic councils have surpassed the plan for industrial goods production.

The planned volume of finished products for the people was exceeded by more than M 1 billion. In 1982, the assortment of consumer goods was expanded through new, high-quality products in a volume of over M 17 billion. Also contributing in this, by expanding their production of finished products for the population and by exceeding their supplier responsibility for consumer goods producers, were industrial groups principally manufacturing production equipment.

The work force in the coal and energy industries has worked successfully to supply the people and the economy continuously with fuels and energy. By intensifying production in surface mining and by bringing new capacities into operation, it was possible to extract more coal and to produce more products from coal processing than was targeted. With the highest ever annual production of brown coal--276 million tons--the plan was exceeded by 4.1 million tons and thus the commitment of the brown coal industry, to extract 2.8 million tons of brown coal above the plan, was met. In the case of sieved coal, the plan was surpassed by 460,000 tons, and for brown coal briquettes 450,000 tons above plan were produced. In surface mining, more coal was uncovered than was foreseen in the plan. The population received 15 million tons of brown coal briquettes on schedule. Thus, the people's needs were met fully. The production of city gas rose 6 percent against the previous year. With the repair program being carried out according to plan and the timely and supply-effective putting into operation of new capacities, it was guaranteed that on an annual average the power plant output was higher than the planned values. New capacities on the order of 600 megawatts went into operation.

The work force in the geologic industry explored the planned reserves to secure the recovery of domestic mineral raw materials and underground water. Natural gas production from GDR reserves has been further increased.

The production plans for the majority of important raw materials and ancillary products were met or exceeded. Above-average growth rates were achieved for high-pressure polyethylene; antifriction bearings; industrial gears; equipment and installations for monitoring, regulation and control; and special technological equipment for the production of electronic and electrotechnical products.

In the case of products in microelectronics, the production targets were exceeded and altogether an increase of 29 percent was achieved. With the dynamic development of production in this area, additional preconditions were met for a broader application of microelectronics in the economy. High growth rates were achieved in the manufacture of machine tools. The production of numerically controlled machine tools rose 24 percent. The proportion of these machines in the production of metal-cutting machine tools is now 34 percent. The production of industrial robots has doubled since 1981.

There was a significant increase in the production of important machines and equipment for rationalization and export, as well as a number of consumer goods.

Production Trend for Important Products, 1982 As Percent of 1981

Electric energy	102.2
Unprocessed brown coal	103.5
City gas	106.3
ABS-plastics	103.8
Synthetic silks	102.0
Synthetic fibers	101.2
High-pressure polyethylene	109.5
Products of further metallurgic processing	100.8
Cast steel products	102.8
Industrial gears	108.0
Antifriction bearings	105.8
Equipment and installations for monitoring, Regulation and control	107.9

Production Trend for Important Products, 1982 As Percent of 1981	
Numerical controls	133.0
Mechanical and electrical dust-removing And vacuum systems	111.7
Complete data processing systems	150.3
Products in robot technology	226.4
Conveyor belts with textile insertion	100.3
Metal-cutting machine tools	107.6
Cold-shaping machine tools	111.3
Plastic and rubber processing machines	104.2
Special technological equipment for Manufacturing electronic and electrotechnical Products	111.1
Harvest combines	114.4
Hot water heaters and boilers	105.2
Household refrigerators	107.0
Household freezers	118.5
Electric ranges	108.8
Small motorcycles to 50 cc	105.9
Color televisions	104.6
Street shoes	103.7
Hosiery	101.8
Household and hotel porcelain	106.0

Based on the industrial production of goods, labor productivity of the workers and employees in the area of the industrial ministries rose 3.6

percent. Measured against net production, it increased 4.3 percent. This is an overall indication of the increased capacity of the work force to raise the volume of production and to improve productive efficiency. More than 80 percent of the increased production is attributable to higher productivity. In 27 industrial groups, the increase in industrial goods production was exclusively the result of higher productivity; 35 industrial groups have accelerated the growth rate in productivity as compared with 1981.

The quality of industrial production continued to improve. In 1982, industrial products valued at M 61 billion were produced with the quality label "Q." In regard to utility value, costs, product life, reliability and design, 40 percent of the products newly brought into production help to determine the advanced international standard. The 571 enterprises with the title "enterprise with outstanding quality of work" play an important role in the improved quality.

Most of the industrial groups had unit costs under the plan for rejects, rework and warranty services. Altogether, they were below the planned level.

The self-production of rationalization means grew 18 percent compared with 1981. The plans for construction of rationalization means were exceeded. The capacities for production of rationalization means were expanded through the additional use of specialists, design engineers and technologists. In a number of industrial groups, the capacity for producing rationalization means was strengthened substantially through the use of particular scientific-technical design and projecting groups. In increasing numbers, in domestic production special new and improved types of robots are developed, produced and effectively introduced. To a growing degree, the industrial enterprises' own construction departments contributed to rationalization and to improvement in value preservation.

Further progress in the higher processing of raw materials and other materials has contributed effectively in improving economy of energy and materials. The increase in final products for supplying the people and the national economy and for export has been assured through higher processing, and, compared with the previous year, through the use of smaller quantities of raw materials and energy. Good results were achieved in producing high-quality goods and in reducing production consumption, especially through the application of up-to-date procedures and technology, above all in metallurgy and in the chemical industry. In metallurgy, the proportion of more highly processed rolled steel assortments increased from 58 percent in 1981 to 62 percent in 1982. Through more effective use of raw materials, especially petroleum, the chemical industry increased the production of important basic materials 19.5 percent. The production of highly processed goods with slight material intensity was stimulated through measures in the area of industrial prices.

Multiple initiatives by the work force in socialist competition and strict control helped to meet the further greatly increased requirements for more rational consumption of energy, raw materials and other materials. In 1982, for the first time, it was possible to achieve an increase in industrial output with less energy and material in absolute terms. With more than 6 percent, the largest annual decrease ever in the specific consumption of economically important energy sources, raw materials and other material was attained. Decisive in that were higher processing of raw materials, concentration of scientific and technical work on the development of material-saving designs, technologies and procedures, as well as increased use of domestic materials available in the GDR. In many enterprises, review and redetermination of norms and standards contributed to the increase in economy of energy and material. The metal-processing industry reduced the specific use of rolled steel 6 percent and consumed 1 percent less rolled steel than in 1981 with increased production. Also decreased was the consumption of a number of important raw materials and other materials, such as nonferrous metals, fibrous material, plastics and wood. The economical use of energy and the replacement of imported energy sources with domestic sources led to a decline in consumption in the enterprises and installations of the national economy. This decline amounted to 25 percent for heating oil, 30 percent for gasoline, 13 percent for diesel fuel, 11 percent for hard coal coke and 3 percent for brown coal briquettes. The replacement of high-grade energy sources occurred mainly through the increased use of domestic natural gas and unprocessed brown coal. The proportion of unprocessed brown coal in primary energy consumption rose from 67 to 70 percent. The conversion of heating plants in the national economy to domestic energy sources occurred according to plan. Through the early completion of long-distance gas lines with a total length of 351 km in the framework of the central youth enterprise "GDR Gasline Construction," within a year important prerequisites have been met for replacing heating oil with natural gas.

In 1982, good results were attained in the organization and use of secondary raw materials. Domestic recovery rose compared with the previous year, especially for scrap zinc and aluminum--13 and 8 percent, respectively--8 percent for plastic wastes and 8 percent for return bottles and glasses. The organization of secondary raw materials received decisive support through popular initiatives. The population provided one-third of the supply of scrap aluminum, 40 percent of old paper, almost two-thirds of waste textiles and 90 percent of the total recovery of bottles and glasses. Members of FDJ and the pioneer organization "Ernst Thaelmann" made a significant contribution to organizing the collection of secondary raw materials. Within the FDJ action, "Material Economy," multiple initiatives were started for the increased collection of waste material and paper.

The hourly use of important production equipment in industry was 15.1 hours per calendar day. Again, it was improved mainly in the industrial groups of the metal-processing industry. In a larger number of enterprises, capacities just recently brought into operation were more quickly made more time-effective. Significant reserves can be opened up through the transfer of the experience of those industrial groups that perform exemplary work in this area. Examples are: Carl Zeiss in Jena, pumps and compressors in Halle, machine tool group "Fritz Heckert" in Karl-Marx-City, conversion technology "Herbert Warnke" in Erfurt, and polygraph "Werner Lamberz" in Leipzig.

A high level of time-efficiency is noted for electronic data processing installations. Advanced computing operations such as that of the data processing group, the Finance Ministry and the computing center of the German Railraod in Berlin were able to use 20 hours and more per calendar day.

The results of the savings in material, energy and labor are reflected in the decline in costs. Altogether, the total planned cost-price per M 100 of goods produced in the area of the industrial ministries was not reached. In 89 industrial groups, costs were lower than the planned total cost-price per M 100 of goods produced. A large share of the cost savings belongs to the industrial groups tubing in Riesa, conversion technology "Herbert Warnke" in Erfurt, synthesis works in Schwarzheide and automation systems construction in Berlin.

The cost-price per M 100 of goods produced was lowered 2 percent compared with the previous year. That is the greatest annual decline yet. Nineteen industrial groups managed to cut costs by 3 percent and more against 1981 while staying under the planned costs level.

Water resources workers guaranteed potable water for the population and the availability of water for all areas of the economy. Through planned investments and popular initiatives, 33,000 new households were supplied with potable water from central systems to improve the potable water supply in rural areas. Altogether, investments in the water supply and value preservation measures for the further intensification of agricultural production were met or exceeded. Coastal protection projects were carried out as planned. Measures above the plan were carried out to redress flood damage and for the repair and improvement of flood protection. Additional environmental protection tasks, especially in the congested industrial areas, were continued in accordance with the plan.

II. Science and Technology

In 1982, with the scientific and technical findings, decisive prerequisites were met for the further rise in output in the national economy.

To a very large degree, the increase in productivity and the reduction in production consumption were assured through the use of scientific and technical progress. It was possible to improve the relationship between expenditures and the economic benefit from scientific and technical work and to reduce the development time for more than two-thirds of research and development tasks to less than 2 years through increased concentration of potential.

Altogether, the tasks of the state plan for science and technology and the scientific and technical plans of the industrial groups and enterprises outside the state plan were met. In 1982, 4,900 findings from scientific-technical work were applied to production and thus the prerequisites were met for producing new products in 1983 valued at more than M 40 billion for supplying the population and for export.

To increase labor productivity through the application of scientific and technical findings for the specific modernization of production sections and the introduction of new--and rationalization of existing--technological processes in the national economy, 509 million man-hours were saved. That is equivalent to the annual labor of 280,000 workers. The increase in productivity with a simultaneous easing of work conditions was significantly aided through the creation or reorganization of 218,000 jobs in accordance with the knowledge of scientific labor organization. Thus, in this connection, unhealthy working conditions and stresses resulting from hard physical jobs were completely eliminated for 31,000 workers.

Through the application of scientific and technical findings for the development of efficiency and quality in production by way of processing, the following results were achieved:

--The production of first-class products for export and supplying the national economy rose 13 percent compared with 1981.

--The specific energy use, under simultaneous replacement of liquid energy sources with domestic natural gas and solid fuels, was reduced the equivalent of 13.5 million tons of unprocessed brown coal. Compared with the previous year, this savings increased 3.5 million tons.

--The improvement in material economy, especially the use of more highly processed material assortments, the introduction of material-saving designs for improving the mass-output relationship and the change in the production structure toward more highly processed products made possible a specific reduction of 400,000 tons in the use of rolled steel, of 50,000 tons in cast products, 10,000 tons in aluminum and over 300,000 tons in cement.

In 1982, in economically important areas, the following major accomplishments among others, were achieved:

--The use of microelectronics was significantly expanded in many areas of the economy, for example, in process control in the glass and cement industries, in voltage and reactive power regulation in power plants, in automating sewing processes in the shoe industry and in technical production preparation in machine construction. In addition, the assortments of microelectronic circuits and passive electronic components were expanded, standard-setting supplier products were introduced into production and technological equipment for the production of microelectronic circuits with higher integration and greater productivity were developed and introduced into production.

--With an increase of 7,700 industrial robots in 1982, especially for handling processes and integrated production sections in machine construction.

welding lines in the manufacture of tools and instruments, spray-painting work in railed vehicle construction, sewing processes in light industry and in warehouse work, more and more manpower was released for other work and physically difficult or monotonous working conditions were eliminated.

The prerequisites were expanded for self-production of industrial robots in the branches of the economy through the development of specific supplier components, such as transmissions, sensors, hydraulic linear drives and gripping devices.

--The processing of available raw materials and energy sources was systematically continued through the development and introduction of new products, including highly processed steels and precision tubing, copper-enamelled wire, gold wire with a smaller diameter for microelectronics, special oils and greases, special plastics and half-plastics for electrical engineering and consumer goods production, brown coal high-temperature coke of a better quality for use in carbide production and brown coal and combustible coke powder in place of liquid fuels.

Through the development and production of new consumer goods, progress was attained in supplying the population and for export expansion, including in the areas of household equipment, home furniture, clothing, wall paper and do-it-yourself supplies.

An indication of the higher scientific and technical level of the research findings is the increase in patent applications. Compared with 1981, the number of inventions leading to patent applications rose 15 percent.

The scientific and technical cooperation with the USSR and the other CEMA countries has contributed significantly to increasing product quality and to solving the scientific and technical tasks in the areas of microelectronics, robot technology, coal processing and technologies for saving energy and material.

The completion of the goals agreed to in the government pacts and ministerial agreements with the USSR has given decisive support to the acceleration of scientific and technical progress in the GDR and has made a significant contribution in carrying out the tasks established for the period through 1990 in the program for specialization and cooperation in production.

The practical basic and applied research at the GDR Academy of Sciences and universities and colleges was concentrated more on carrying out the objectives of state contracts, with special emphasis on creating the basis for new microelectronic components, production procedures in microelectronics, scientific preparation of the production of highly processed chemical products from domestic raw materials and raising the technical level of machine and installation construction through the automation of preparation and manufacturing processes, new tool materials and new highly productive procedures.

With the research findings, an important foundation was created for the future development of output and efficiency in the economy.

Altogether, 80 top level research findings were carried through by the GDR Academy of Sciences, as well as the colleges and universities, under the state plan for science and technology. The procedural and constructive work in economic applications was carried out along with partners in industry or is being continued in a thorough manner. The creativity of the innovators, inventors and reorganizers was systematically directed to solving the tasks of the plans science and technology. In the state economy, 1.8 million workers took part in the innovative movement. The annual benefit from the innovations applied in practice was M 4.9 billion.

The creative contribution of youth in solving scientific and technical problems was further increased. Especially in the movement "Fair of the Masters of Tomorrow" and with the FDJ initiatives "Microelectronics" and "Industrial Robots," economically important problems from the plans of industrial groups and enterprises for science and technology were solved. At the 25th Central Fair of the Masters of Tomorrow 1,700 of the 2,200 exhibits were derived from the plans for science and technology. Because of the high scientific and technical level, patents are pending for 221 exhibits. During the fair, 9,100 economic contracts and agreements of interests for later use were concluded. The tasks of the state plan for science and technology centrally submitted as youth projects were fulfilled and in part the planned targets were exceeded. Also, the more than 1,600 projects presented by the 10,650 FDJ students and young scientists at the 8th central progress show have the purpose of promoting increasing efficiency in practice.

III. Investment

Through the accelerated completion of projects already being carried out, 5 percent more investment than in the previous year was usefully employed. For the systematic improvement of the material and technical base, especially its modernization, and for the furtherance of social policy, M 54.3 billion was invested in the national economy in 1982, of which M 26.5 billion was in industry.

More than in previous years, investment activity was oriented toward rapid exploitation of scientific and technical findings. Sixteen percent of the industrial investment was applied in such areas as microelectronics, robot technology and the processing of raw materials. Thus, important preconditions were met for improving the technical and technological level of production, especially through the automation of entire production processes. In 1982, the number of industrial robots used in the economy rose to 21,900.

A large part of the investment applied in industry served the further development of the energy and raw materials base as well as the continuation of the measures for conversion of energy sources. For the modernization of the existing basic assets and the increase in their efficiency, investment in rationalization has been carried out in a larger scope. Its share of industry investment was 40 percent. Half of all investments in the processing industry went for rationalization. That was supported especially through a significant increase in the output of rationalization means as the strategic-technical base for product renewal and the introduction of up-to-date technologies.

More than 20 percent of equipment investment in industry is the result of enterprises manufacturing their own rationalization means. That contributed to raising the production level of numerous installations that have been in operation for years and to additional improvement in the relationship between saving jobs and creating new jobs. Especially by using the experiences in applying the Schwedt initiative "more produce less," additional jobs were saved and manpower was gained for economically effective work. That especially affects the areas of the industrial ministries electrical engineering and construction of tools and processing machines.

With increasing concentration on modernizing the existing stock of capital goods and on greater application of up-to-date structural solutions, it was possible to reduce further the construction portion of investment.

The number of new projects started has been further reduced. That made possible shorter completion times and a reduction in investment outlay as well as the volume of incomplete investments. The planned increase in goods production from investment was exceeded.

Among centrally planned investment projects, 242 capacities began continuous operation. Of those, 35 capacities were completed ahead of schedule. The putting into operation of 35 capacities in microelectronics and 18 processing capacities is very important for high economic efficiency.

Among the capacities put into operation in 1982 are:

--For assuring energy and raw materials production: production capacities for brown coal in the surface mines Delitzsch-Southwest and Cottbus-North capacities for the production of electric energy in the power plant Jaenschwalde and the heat and electric power plant Berlin-Rummelsburg, for rock salt in the state enterprise [VEB] potash and the rock salt enterprise "Saale" in Stassfurt, as well as chlorine and soda lye in the VEB chemical group in Bitterfelt.

-Capacities for greater processing of energy sources, raw materials and other materials and for exploitation of secondary raw materials, such as the Konti wire-rod rolling production in the VEB steel and rolling mill in Brandenburg, for production of aluminum damped strip steel in the VEB cold rolling mill in Bad Salzungen, for new surface structures in the VEB artificial-silk works "Clara Zetkin" in Elsterberg, for synthetic crystals in Carl Zeiss VEB in Jena, for chemical fiber pulp in the VEB United Pulp Works in Pirna and for bone extraction in the VEB glue factory in Tangermuende.

--Capacities for products in microelectronics and electrical engineering, such as optical electronic construction components in the VEB television electronics works in Berlin, for silicon diodes in the "Wilhelm Pieck" VEB microelectronics in Muehlhausen, for silicon transistors and solid-state circuits in the VEB half-conductor works in Frankfurt on the Oder, for silicon discs and unprocessed silicon in the VEB trace metals in Freiberg, for condensers in the VEB condenser works "Wilhelm Pieck" in Goerlitz, for integrated circuits in the VEB ceramics works in Hermsdorf and for special equipment in the VEB Center for Research and Technology in Microelectronics in Dresden.

--Capacities for capital goods, such as large and medium-sized electric machines in the VEB electric machines Sachsenwerk in Dresden, cement plants and up-to-date pulverization machines in the VEB "Ernst Thaelmann" industrial group for construction of heavy machinery in Magdeburg, metal-cutting machine tools in the VEB machine tool factory in Aschersleben, conversion machine tools in the VEB machine tool factory in Zeulenroda and industrial robots in the VEB's Central Engineering Operation for Metallurgy in Berlin and the Berlin Machine Tool Factory.

--Capacities for consumer goods, such as for the production of quartz watches in the VEB watch factory in Ruhla; functional, decorative and automobile headlight lamps in the industrial group VEB NARVA "Rosa Luxemburg" in Berlin; knitted outer wear in the VEB Thuringian knitted outer wear in Apolda; knitted wear for small children in the VEB children's knitted wear in Ebersbach; men's low shoes in the VEB shoe factory in Meissen; household refrigerators and freezers in the VEB dkk in Scharfenstein and household and ornamental porcelain in the VEB porcelain works "Weimar Porcelain" in Blankenhain-Weimar.

Investment in housing, education, health and social services total M 9 billion. Included among the projects recently constructed and turned over are 108 secondary schools, 2,500 auditoriums and seminar and work places, as well as student dormitories at the Magdeburg and Leipzig teachers' colleges, the Zittau engineering college and the engineering schools in Senftenberg, Forst and Halberstadt. Student cafeterias were completed at the Weimar College for Construction Engineering and Architecture and at the Erfurt Teachers' College. With the Surgically Oriented Charite Center, 1,156 beds, 24 operating rooms, functional diagnostic areas and research laboratories were turned over to their designation. Through rebuilt or expanded district hospitals in Karl-Marx-City and Cottbus, a noticeable improvement in medical care was achieved in these labor centers. With the construction or expansion of vacation homes and the further reconstruction of central pioneer camps, conditions were improved for the organization of free time, vacations and holidays. Reconstruction work on Academy Square and the rebuilding of the Friedrichstadt Palace in the capital city Berlin, as well as the reconstruction of the Semper Opera in Dresden, were continued according to plan. Construction was begun on an Interhotel in Dresden.

IV. Building Industry

Construction industry workers exceeded the planned construction targets in every month. The plan was met with 101.0 percent, more than 2 days' production over plan. Construction output for the national economy was increased 4.2 percent compared with the previous year. In 1982, for the first time, the increase in output was achieved with less actual use of energy, raw materials and other materials than in the previous year. Through measures to optimize transport, it was possible to reduce the quantity of transport 15 percent compared with 1981.

Altogether, construction expenditures were reduced M 1.2 billion. Contributing decisively to that was the greater orientation of the construction industry toward reconstruction, modernization and repair, as well as the concentration on the completion of projects already begun.

Especially good results in meeting the overall plan were achieved by the construction and assembly group Coal and Energy in Hoyerswerda, the South Leipzig construction and energy group, the Gera and Magdeburg groups for housing construction and the Halle group for street, bridge and underground construction.

In industrial construction, the proportion of construction for rationalization and reconstruction projects was increased. Thus, construction times were decreased further. Construction by industrial plants with their own construction departments rose 6 percent compared with the previous year.

The production of construction materials and prefabricated products was according to plan. For energy-intensive production processes in the building material industry, it was possible to reduce specific energy consumption and to remain below the planned energy contingent.

Most of the construction groups achieved good results in further increasing output and efficiency. Planned net production was surpassed.

More use was made of the qualitative factors of economic growth in increasing output. Productivity rose 3.1 percent compared with the previous year. Specific consumption was reduced 6 percent for rolled steel, 8 percent for sawed timber and 4 percent for cement. That played a significant role in the remaining 1 percent under the planned total cost-price per M 100 in construction production and 2 percent under planned basic costs. An important factor in increasing efficiency was the fact that 594 introductory tasks from the state and enterprise plans for science and technology were put into production. They brought about a reduction in specific construction expenditures and construction times and they made possible greater use of materially and energy-economic construction, as well as an improvement in the relationship between costs and results.

The best annual results ever were achieved in housing construction. There were 187,053 housing units newly built or modernized. That is 7,458 units more than planned and 1,703 more than in the previous year. There were 122,417 new housing units completed, including 14,149 owner-occupied houses; 64,636 units were modernized. The targets for new housing construction were exceeded in all districts. In complex housing construction, planned construction expenditures were reduced considerably, especially through the reduction in earth-moving operations and more rational development concepts.

In the area of facilities for children and schools, the following were built: 13,868 places in day nurseries, 28,139 placed in kindergartens, 2,539 classrooms and 151 school gymnasiums in all-round secondary schools. In the scope of construction of housing complexes, 25 youth club facilities with 2,895 places were built. In the creation of new community the overall targets were met or exceeded.

In some districts the completion of structures in the scope of housing-complex construction did not occur at the planned level or in accordance with local requirements.

Housing repairs increased 8 percent over the previous year. Overall, the plan was met. The development of capacity for district management of construction was of great importance for the increased modernization and upkeep of existing housing.

In the "Take Part!" competition, the population contributed with its own efforts to improving housing conditions. Thus, among other things, 120,000 housing units of older and handicapped citizens were renovated.

In the capital city Berlin, 20,834 units were rebuilt or modernized. Overall, the construction activity to be performed by the republic's district construction enterprises according to plans for the capital city exceeded the plan. A large part of that effort belongs to the young construction workers in the framework of the "FDJ-Initiative Berlin."

V. Agriculture, Forestry and Food Industry

The cooperative farmers and workers of socialist agriculture have done much to guarantee the supply of foodstuffs to the population and important raw materials to industry. In 1982, through the close coooperation of cooperative partners in plant and animal production, the further development of responsibility in the cooperative councils and the more comprehension involvement of the entire village population, a number of preconditions were met for high yields in plant production. Thanks to the diligence of the cooperative farmers and farm workers, the grain harvest was the largest in GDR history--totaling more than 10 million tons at an average yield of 3.98 tons per hectare. Yields for other crops were less favorable, whereby the weather was not without influence. Under the adverse conditions, it was clear how varied the results of the cooperatives still are, although they operate under similar conditions.

The following per-hectare yields were achieved:

	Average in tons per hectare 1976-1980	1981	1982
Grain	3.58	3.57	3.98
Potatoes	17.50	20.60	17.50
Sugar beets	26.90	30.80	27.60
Hoed fodder crops	49.90	57.50	47.30
Green corn and silage corn	29.30	36.80	27.80
Field foder plants	35.50	40.40	33.70
Meadows	26.40	28.40	26.20
Pastures	29.10	31.20	28.20

The plan for the state yield in plant production was met or surpassed for grain, edible potatoes and fruit. In 1982, the highest fruit yield ever was achieved. The yield of oleaginous plants, sugar beets and vegetables is not fully up to plan. Due to the high sugar content of the sugar beets, the plan for white sugar production was met.

Livestock losses resulted from the epidemic of hoof-and-mouth disease.

Altogether, animal stocks were developed according to plan.

	Stocks on 30 November 1982 in thousands
Total cattle	5,676
Cows	2,120
Total pigs	11,935
Sows	1,194
Sheep	2,198
Layers	25,419

The plan for the state yield in animal production was exceeded for chicken eggs. Planned production was not fully achieved for slaughter animals and milk.

	Completion of economic plan in 1982	
	kt	percent
Total slaughter animals	2,283	94.0
Poultry	170	99.0
Milk	7,317	93.5
Eggs (in millions)	4,913	104.5

An important contribution to supplying the population, especially with fruit, vegetables, eggs, honey, poultry and rabbit meat, was made by the cooperative farmers and workers with their own individual production and by the members of the Union of Small Gardeners, Settlers and Small Livestock Breeders, as well as by other small producers.

Autumn cultivation occurred in the planned scope and in general with high quality at the agrotechnically favorable dates. Autumn plowing was done in the area foreseen by plan.

Cultivated were:

	In thousands of hectares	Target completion in percent
Winter grain	1,950	101
Winter oil fruits	131	100
Winter intercrops	449	103

Water regulation was improved on 103,500 hectares and thus the soil producitivity was increased. Drainage measures were carried out on 76,800 hectares, including 31,500 hectares of pasture land; irrigation measures were carried out on 26,700 hectares.

The plan for self-production of rationalization means was exceeded in the area of the agriculture, forests and food industry. Compared with the previous year, 19.5 percent more rationalization means were produced.

The plan for industrial goods production in the food industry was met with 101.7 percent.

Forestry provided the economy 10.0 million cubic meters of timber production and met the economic plan with 104.3 percent. Through the great efforts of forestry workers, the FDJ action "Healthy Forest" aided by cooperative farmers, additional manpower from enterprises and installations, as well as the voluntary efforts of the population, the 1982 target for the removal of snow and wind damage was met with 2.6 million cubic meters of wood.

VI. Transportation, Post Office and Telecommunications

The work force in transportation and other areas of the economy was successful in improving the economics of transportation. Specific transportation expenditures in the economy were reduced 8 percent and 85 million tons of goods less than in the previous year were transported. That led to a reduction in the consumption of fuel and energy.

The railroad carried 323 million tons of goods, shipping 4 percent more goods than in 1981. The result was an increase in the railroad's portion of goods transport in inland traffic from 68 percent to 72 percent. A number of freight depots and branch lines were brought back into operation and others were used in a larger scope. That created the preconditions for a further shifting away from highway transport to the railroad. In 1982, 140 kilometers of electrified sections were brought into operation. FDJ members have shown initiative in that regard with the youth project "Electrification of Railroad Sections." Also brought into the electrified network was the Seddin freight depot, one of the largest switching yards and also junction for inland and transit traffic. The proportion of transport by electric locomotives rose from 22.1 percent to 25.7 percent. That led to a savings in diesel fuel. There are reserves for further increases in efficiency and output in railraod transportation, especially in greater use of freight cars and an acceleration of freight car turnover through the observance of the prescribed times for loading and unloading of freight cars by the users of transport space. That is especially true in the area of the Ministry for Ore Mining, Metallurgy and Potash and in the coal trade.

In 1982, inland navigation transported 17 million tons of goods, 1.2 percent more than in 1981. The trend in output was affected by unfavorable conditions for navigation in 1982.

In the transport of goods by highway, the transport volume was reduced 19 percent. That led to significant fuel savings.

Public motor traffic fulfilled the economic requirements. The section of highway between Wittstock and Zarrentin was completed according to plan in November.

The volume of goods in GDR seaports increased 3.7 percent. Turn-around times were reduced compared with the previous year. That led to shorter handling times for ships.

On an average, public transportation carried 11 million people daily. The quality of local and occupational transportation in the cities and congested areas increased through the addition of new transportation capacities, especially in rail-related transportation. For this purpose 283 passenger train cars and 243 streetcars, among other things, were brought into service.

The output in the postal service and in telecommunications increased 3.7 percent, staying under planned costs. The annual plan was exceeded. Output rose 5.2 percent in telephone and teletype service. The proportion of telephone calls completed automatically reached 95.5 percent; 40,900 primary telephone lines were installed, 13,000 of which were in the GDR's capital city. Television broadcast 91 percent of all program hours in color. The radio broadcast 450 program hours a week stereophonically.

VII. Foreign Trade

Through high output by workers in the industrial groups, enterprises and export enterprises, GDR exports rose 14 percent.

A significant increase in the trade volume with the socialist countries was achieved. With two-thirds of total foreign trade, trade with the USSR and the other socialist countries created the firm foundation for the stable economic and social development of the GDR. Foreign trade volume with the USSR, the GDR's largest trade partner, rose 10 percent.

As the essential requirement for the stable economic and social development of the GDR, socialist economic integration with the USSR and other CEMA member countries has been systematically further heightened. Focal points were cooperation in science and technology, securing the stable and long-term supply of raw materials and fuel and the formation of an effective production structure. Additional mutual tasks were established in promising areas such as microelectronics, robotics, machine construction and chemicals. Cooperation was increased in the production of consumer goods and especially in carrying out the Soviet foodstuffs program. Work was begun on the central youth project "Natural Gas Line" in the USSR.

A substantial increase in exports to developing [illegible]s and capitalist industrial countries was achieved. The targets, how[illegible], were not fully reached. The balance of trade with the nonsocialist economic area ended with an export surplus.

There was further development of cooperation with the developing countries in the economic and scientific-technical areas on the basis of equality and mutual advantage. Under the conditions of the lengthy economic crisis, the disturbances in currency relationships and the changed foreign economic situation brought about by imperialism's most aggressive circles as a result of the trade and economic war against the socialist countries, the increase of exports to capitalist industrial countries put high demands on industrial groups, enterprises and export enterprises. Trade relations developed best with Austria, France, Japan, Finland and the FRG.

Thousands of enterprises have oriented their production to the needs of the world market. In important areas, that led to an improved export structure and better productivity. In addition, imports were cut.

VIII. Development of the People's Material and Cultural Standard of Living

As a result of the creative work of the working people and their multiple initiatives for meeting and exceeding the 1982 economic plan, the already existing material and cultural standard of living of the people was secured and further increase. With the continuation of the housing construction program, the heart of the social policy program, housing conditions improved for 558,000 citizens, especially in the working class centers. The 187,053 new or modernized housing units went mainly to working-class families, large families and young couples.

In 1982, 240,112 babies were born, 2,569 more than in the previous year.

In accordance with the growing output, net monetary income of the population rose M 3.4 billion or 3 percent over the previous year. Average monthly gross labor income for workers and employees in state enterprises rose to M 1,075.

State services from social funds for improving the material and cultural living conditions of the population amounted to M 61.3 billion. That is 5.1 percent more than in the previous year; M 8.7 billion was provided for housing and the maintenance of stable rents, along with M 21.4 billion to guarantee stable consumer prices for basic goods and fares and M 31.2 billion to satisfy the growing health, social and intellectual-cultural needs of the population. Expenditures for kindergartens and day-nurseries were M 2.0 billion and meals for children and school children cost M 850 million. A family of four received an average of M 938 a month in the form of services and allowances from state social funds.

The population's per capita real income increased 3.3 percent.

Retail trade volume rose M 1 billion to over M 103 billion. Aside from some interruptions in the flow in September and October, the population's supply of basic foodstuffs was secured at the existing high consumption level. Consumption continued to rise for a number of foodstuffs and nonessential foods and beverages.

Quantitative change over 1981 in the provision of foodstuffs and Nonessential foods and beverages:

Product	Percent
Meats and sausages	100
Poultry	113
Fish and fish products	99
Certified whole milk	102
Butter	103
Fatty cheese	99
Sugar	121
Fresh vegetables	101
Fresh fruit	108
Roasted coffee	106
Distilled spirits	105

The per capita consumption of foodstuffs and nonessential foods and beverages in the GDR is among the highest in the world.

To guarantee the population's existing level of industrial consumer goods supplied, manifold initiatives were developed by the workers in the industrial groups in cooperation with their colleagues in the domestic consumer goods trade. Improvements were achieved according to plan in providing industrial goods. That is especially true for such assortments as refrigerators, hot water heaters, small motorcycles and bicycles. The supplying of children's products has been stable. For most assortments of spare parts and accessories, as well as a thousand little things, the provision was further improved and reliable supply was ensured.

In accordance with the differentiated consumption trends, goods were offered in all price groups. The major part of the goods offered was comprised of products in the middle price range with a high standard of quality. The increase in the production and provision of some industrial consumer goods was still not great enough to satisfy the high demand and to allow more choice.

Quantitative increase in the provision of self-produced Goods and imports, 1982 over 1981

Product	Percent increase
Household freezers	117
Hot water heaters and boilers	102
Coal-fired bathroom heaters	112
Electric ranges	101
Motorcycles	112
Small motorcycles	103
Gasoline	111
Wallpaper	107
Training clothing for adults	103
Knitted gloves	110
Cellulose diapers	118
Ice skates	135
Drinking glasses (cups)	103

The percentage of households with high-quality technical consumer goods is very high.

Product	Percentage of households
Automobiles	40
Household refrigerators	99
Washing machines	84
Televisions	93

Services and repairs for the population increased 7 percent to a total of M 5.7 billion. An essential contribution to that was made by cooperative and private craftsmen, who carried out more than two-thirds of these services.

Repairs, especially to technical consumer goods, rose 3.7 percent, including an increase of 4.8 percent for electrical household equipment. Automobile repairs for the population increased 6.9 percent. It was possible to meet the people's needs for textile cleaning.

In public education, the quality and efficiency of instruction has been continuously improved. It was oriented toward a high practical level of education and training of youth, toward developing their class standpoint and their political awareness.

The polytechnic character of the secondary school was further developed and the educational standard of the secondary school rose. The material and personal conditions for all-round education and training of children and youths have been improved. Completed were 2,539 classrooms, 151 gymnasiums, 410 places in boarding schools and homes and 28,139 places in kindergartens.

A place in a kindergarten is provided for all children whose parents wish it. More than 91 percent of all children of the appropriate age are now being cared for in kindergartens and being prepared for school. All school children in classes one through four have the opportunity to attend a day school. The proportion of children in day schools is 80.5 percent.

With the further increase in capacities in 1982, it was assured that all children receiving a secondary-school education under special conditions because of physical and mental handicaps can receive special accommodations and instruction.

Some 9,550 graduates of pedagogic study began their careers as teachers, educators in homes or kindergarten teachers. In 1982, the number of school children per class was 21, the number per teacher declining to 12. The polytechnic education of school children has been continuously improved. Children in classes 7 through 10 were cared for by 9,500 full-time and 26,200 part-time faculty members. In the schools providing an all-round education in the school year 1981-1982, there were 5,144 school sports associations, in which 1.1 million school children were organized, 707,000 school children are members of the German Gymnastics and Sports Federation.

Almost 80 percent of the school children took part in school meals and two-thirds participated in the milk program.

In the area of career training, manifold initiatives were developed by faculty members and educators to train a qualified generation for all areas of the economy. Career training made an effective contribution to the growth in economic output. The content of training for careers and skilled occupations has been better organized and oriented more toward the requirements of intensification and scientific-technical progress. Instruction was organized according to precise curricula in more than 50 skilled occupations. An apprenticeship or a course of study was available for all graduates. In September, 212,400 graduates began their career training. Of these, 87 percent had completed the 10th class of the general polytechnic secondary school.

To improve the material and technical conditions in career training, 175 classrooms, 6 school gymnasiums and 3,220 places in rooming houses for apprentices were provided.

Adult education was particularly oriented toward providing continued education for the working people in accordance with the requirements resulting from the application of new highly productive technology, such as microelectronics and robotics and technologies for saving raw materials, other materials and energy.

At the colleges, universities and vocational schools, curricula and study documents were made more precise, with the goal of further developing the students' self-responsibility, independence and initiative, thus guaranteeing a higher level of education and communist training for the students. New teaching programs were created for the training of teachers. Curricula were reworked in the advanced-school disciplines of mathematics-natural sciences and agriculture and engineering.

During the summer break, more than 46,000 students were active in FDJ student brigades in focal points of our economy and produced high economic output; 21,600 of them worked in the FDJ Berlin initiative in our capital city. Study at an advanced or technical school was begun by 82,400 students including direct studies by 62,600; 68,200 students successfully completed their studies.

The working, study and living conditions at advanced schools and technical schools were improved further. Altogether, 2,250 rooming-house places, 2,500 places in auditoriums, seminars and job sites and a kitchen capacity for 7,100 servings were created.

The quality and efficiency of medical and social care for the population were improved. Progress was attained in expanding basic medical care in the large cities and congested areas, as well as in further developing the preventive orientation, especially in health protection for the working people.

The Surgically Oriented Charite Center in Berlin, turned over in June 1982, proved itself to be an effective place for medical help, research and teaching.

In the out-patient area, medical care was improved noticeably. New positions were created for 262 physicians and 250 dentists. There is 1 physician for every 471 citizens and 1 dentist for 1,593 citizens. In accordance with territorial conditions, early, late and Saturday consultation hours were expanded substantially in out-patient health installations, especially in the specialties of general medicine, pediatrics and stomatology. The system of emergency medical help in the complex treatment of life-threatening conditions was expanded and is now in effect in 114 districts.

Some 6 million working people, more than two-thirds of the work force, received medical attention in the 3,800 industrial facilities for health services. The health-care services were concentrated on continuous dispensary treatment and the monitoring of working conditions.

The frequency of industrial accidents was reduced 3.5 percent to 27.6 per 1,000 employees.

In 1982, in the area of in-patient medical care, 2,770 additional beds were made available.

Some 360,000 adults and children received courses of treatment. Treatment for adults was primarily provided to working women and shift workers.

Great attention was given to the care of mentally and physically handicapped persons. Special assistance was provided for 13,700 mentally handicapped children and youths in suitable facilities. More than 35,000 severely and very severely handicapped citizens are working in protected workshops and industrial departments, including 30,500 in production enterprises.

Social care for working mothers and their children was further improved. Altogether, day-nursery facilities were provided for an additional 13,868 children. Thus, 64 percent of children of the appropriate age are receiving care in day nurseries.

To improve living and housing conditions for retired workers, the number of places in after-work and nursing homes and rooming houses for older citizens was increased according to plan. For citizens who are older and need care, 4,782 places in after-work and nursing homes and 3,714 places in rooming houses were completed.

Physical education and sports have continued to boom. Their mass character has been made more comprehensive in all areas. The manifold initiative and activities of men and women athletes are reflected in the good results in the competition of the German Gymnastics and Sports Federation in the "Spartakiad and Sports Relay 83," as well as in the preparations for the 7th Gymnastics and Sports Festival and the 9th Children's and Youth Spartakiad of the GDR in Leipzig in 1983.

Another 73,000 members joined the socialist sports organization; another 138 sports associations, 1,063 sections and 1,015 general sports groups were organized. Membership in the German Gymnastics and Sports Federation grew to more than 3.3 million, including almost 900,000 women members. Almost 4 million citizens received the GDR's sports badge "Prepared for Work and Defense of the Homeland."

In the children's and youth spartakiads in winter and summer sports, 3.8 million boys and girls took part in the preliminaries, 669,000 children and 338,800 youths participated in the district spartakiads and 104,800 competed in the regional spartakiads.

Altogehter, 237 sports facilities, including 41 athletic fields, 165 gymnasiums and 3 indoor swimming pools, were turned over to the population to use.

In world and European championships, the GDR's men and women athletes won 70 gold, 64 silver and 52 bronze medals.

The FDGB [Free German Labor Union Federation] vacation service and the socialist enterprises awarded a total of more than 4.7 million trips to working people and their family members, including 1.9 million recreation centers of the FDGB vacation service. Almost 1,000 overnight accommodations were created through the FDGB vacation service and its associations with enterprises. Vacation dormitories were completed ahead of schedule in Binz and a new vacation village was erected in Engelsbach. With 2.8 million vacation trips, enterprise recreational services made a significant contribution to improving the recreation opportunities of the working people. "Jugendtourist," the FDJ travel bureau, arranged 1.7 million recreation trips and excursions.

More than three-fourths of the school children were cared for during the summer vacation. The capacity of the central pioneer camps rose to 35,100 places. In the camps for recreation and work, as well as in the FDJ student brigades, almost 200,000 young people contributed to solving national economic problems.

With new works, socialist culture and art have contributed to the further development of the creativity and initiative of the working people and to forming their socialist way of life. The 19th Worker Festivals and the culture festivals of socialist agriclutre in the Neubrandenburg bezirk expressed the successful realization of the socialist culture policy of the 10th party congress. The 425 events were organized by more than 10,000 folk artists and professionals.

There were numerous cultural events in honow of the 60th anniversary of the founding of the USSR and on the occasion of the 65th anniversary of the Great Socialist Revolution.

Important events in our country's political life were the Whitsum meeting of the youth in all bezirks of the republic and the FDJ cultural conference. The seventh pioneer meeting in Dresden was a splendid demonstration of our children's desire for peace, their love for the socialist fatherland and their ties to the party of the working class.

At the 9th Dresden art exhibition, the traditional progress show of socialist art, more than 1,500 artists were represented with about 3,000 works in the areas of painting, graphics and plastics, arts and crafts, commercial art and industrial design, as well as caricature and photography. So far, the exhibition has been seen by more than 450,000 visitors. The 10th congress of the GDR Cultural League made clear that the Cultural League was able to significantly extend its influence on the intellectual and cultural life in the cities and countryside. The fourth congress of GDR film and television producers was carried out under the growing demands on the mass effect of art and culture.

Well received were such cultural events as the 12th Political Songs Festival in Berlin, the 5th GDR Music Days, the 6th Interpreters Competition of the Entertainment Industry, the 2nd National Film Festival in Karl-Marx-City, the 25th International Documentary and Short Film Week in Leipzig and the 26th Berlin Festival of the Theater and Music.

Cultural cooperation with the fraternal socialist countries was heightened and expanded. The "Soviet Book Days" and the "Soviet Film Festival" again confirmed the close ties of the citizens of our country with the literature and art of the peoples of the USSR. Numerous GDR artists and ensembles made guest performances in the USSR and other fraternal socialist countries. Well known GDR theater ensembles and orchestras made successful guest performances in many countries. Highly successful were the tours of the Dresden State Band in Great Britain, Austria and Switzerland, of the Gewandhaus Orchestra in its seventh concert trip to Great Britain and of the ballet of the German State Opera to Italy.

The cultivation of humanistic cultural heritage occupied an important place. The ceremony in Weimar by the SED Central Committee and the GDR Council of Ministers on the occasion of the 150th anniversary of the death of Johann Wolfgang Goethe was the culmination of multiple honors and tributes. There were honors on the occasion of the 300th anniversary of the birth of Johann Friedrich Boettger, the 250th anniversary of the birth of Joseph Haydn, the 150th anniversary of the birth of Wilhelm Busch and the 200th anniversary of the birth of Friedrich Froebel.

The 1982 International Book Art Exhibition was characterized by the participation of publishers, artists and organizations from 82 countries of all continents. It was seen by about 60,000 visitors, including authorities from 34 countries. More than 6,000 book titles with a total printing of 140 million copies, as well as over 18 million records and music cassettes, were offered for sale and contributed to better satisfying the growing cultural needs.

The good 1982 balance proves that favorable starting points for the further realization of the resolutions of the 10th SED party congress were created. Supported by the material, scientific-technical and intellectual potential of our republic, by the will to work and the experience of its citizens and by the fraternal ties with the USSR and the other CEMA countries, the GDR has met all of the requirements for successfully continuing the essential task of uniting economic and social policy even under the complicated conditions of foreign policy and foreign trade. That requires an even stronger application of the economic strategy emphasizing the good of the people and peace in accordance with the greater demands placed on it. In that regard, the fifth session of the SED Central Committee provided the necessary orientation and valuable experiences.

In carrying out the 1983 plan, it is essential, following the example of the resolutions of the stewards of the "Karl Marx" numeric VEB in Karl-Marx-City and of the brown coal group VEB (headquarters) in Senftenberg, to achieve a greater increase in labor in socialist competition, to improve the relationship between expenditures and results substantially, to lower costs and to use available resources as effectively as possible. More needs to be done through the mobilization of the qualitative factors of economic growth for intensification and socialist rationalization. In this regard, there should be an acceleration of the tempo and the economic effectiveness of scientific and technical progress.

In the leadership of state and economic organizations, it is necessary to support the creative initiatives of the working people so as to meet and systematically surpass the demanding goals of the economic plan in 1983, the year of Karl Marx.

In that regard, a task of utmost importance is to maintain constant performance comparisons in all industrial groups, enterprises, installations and cooperatives, to take over the methods of the best and to make full and consistent use of the principles of socialist management and socialist economy for the growth of national income.

With energy and confidence, the working people apply their entire strength in further increasing our country's economic growth for the good of the people, to strengthen the position of socialism and to secure the peace.

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DIFFERENTIATION OF WAGES TO CONTINUE IN 1983

Budapest HETI VILAGGAZDASAG in Hungarian 8 Jan 83 pp 4, 5

[Article by Jozsef Kovacs: "The Forint Stake"]

> [Text] The national economic plan specifies that in 1983 wages will rise on average by 3.5 to 3.8 percent, and the consumer price level will foreseeably be 7.5 percent higher than last year. How can the danger be avoided that performances might "adjust" to declining real wages?

Heightened expectations preceded the modernization of the central regulation of wages and earnings. Most people expected that the restrictions would be abolished and it would become possible to earn substantially more. The new regulators contain substantive changes, but they might nonetheless cause disappointment.

It is certainly an improvement that the regulators do not reward the enterprise that "husbands" its reserves and is thus able to show "growth" every year. And they do not penalize the enterprise that utilizes its possibilities sooner. The regulators give the enterprises an incentive to uncover rapidly and completely their internal reserves.

Disappointment will be caused mostly by the fact that more money will remain unavailable for higher earnings. In 1983, moreover, it will be necessary to make do with a smaller average wage increase than in years past, because only in this way will it be possible to preserve the forint's relative stability and purchasing power in the difficult economic situation. Only a very narrow circle of enterprises are operating at outstanding profitability and will have favorable conditions for raising wages. The enterprises operating at average profitability, and especially the ones with low profitability (they are in a majority), will fare worse.

A by no means negligible contradiction of this year's plan is that wages will rise on average by 3.5 to 3.8 percent, but the consumer price level is expected to rise 7.5 percent. And if we add to this the steeper progression of the social security contributions in the case of earnings exceeding 7000 forints, it becomes obvious that the outflow of income has been tightened. (In practice this emergency measure means income equalization: the earnings of persons in managerial and supervisory positions will be lower by 1 to 5 percent.) In the present situation, any increase of wages in excess of the plan would trigger a further rise of the consumer price level.

The key question at present is: How can performances be increased, despite the stagnating and even declining real wages? How can we avoid the danger that performance might decline by "adjusting" to the lower real wages? At every level and in every position it will be necessary to introduce strict requirements and new grading systems, and to set new standards. The plants and workers that do the most to improve the economic situation must rank the highest. This is why central management and regulation have proposed, within their own spheres of competence, to differentiate according to performance the distribution of material goods among the enterprises and managers.

The Council of Ministers has decided to modernize in this sense the system of incentives for enterprise directors and their deputies. Although the quality and effectiveness of enterprise management depend only partially on economic incentives, the importance of the amount of income and extent of personal incentives should not be underestimated. Improvement of the economic incentives for enterprise directors and their deputies requires a more pronounced differentiation of incomes than up to now.

There was considerable equalization during the past 10 to 15 years, and among managers the appeal of their economic incentives declined. For example, while average earnings increased 108 percent, the earnings of top managers rose only 54 percent from 1969 to 1980. The average base pay of a director general is 2.4 times the average base pay of the directors, and 1.8 times the average base pay of skilled workers. The variable component--bonuses, premiums, and profit sharing--of the enterprise managers' earnings averages 30 percent. Profit sharing is paid to managers and their subordinates according to uniform rules. This leaves only bonuses and premiums as a possibility for differentiating between efficiently and less efficiently working managers. In the past, however, many enterprises did not avail themselves of this possibility suitably.

In the future, over a period of several years, the base pay of directors and their deputies will be raised faster than the average rate, to stop the process of equalization and to reverse it to some extent. Bonuses will be based unambiguously on profitability. The application of bracketed and fixed multipliers will cease. Thus the managers of enterprises whose profitability is below average will receive below-average bonuses, and the managers of enterprises with above-average profitability will get above-average bonuses. But because the level of an enterprise's profitability is influenced also by factors other than the quality of management (for example, by the price system, and the system of income withdrawal and aid), in exceptional cases the supervising agency may modify by 20 percent upward or downward the fixed multipliers (i.e., the multipliers that depend on the ratio of profit to capital plus wages).

Directors and their deputies will receive premiums based on a comprehensive evaluation of their activity. The supervising agency sets the specific conditions for the payment of premiums, taking into consideration the tasks confronting the economy and the given sector. The ceiling on premiums, just as the ceiling on bonuses, has been abolished as of 1983, so that in the future there will be no upper limit for differentiation. At the sectoral and ministry level, of course, only a specified allotment can be used for premiums: 15 percent of base wages. Thus in order to pay some managers larger premiums than up to now, others will have to get less or nothing at all.

Within an enterprise, the top manager's incentive is the model that sets the pattern. If the supervising agency boldly differentiates the bonuses and premiums of the directors and their deputies, then it may be assumed that the directors will act in the same manner when setting, within their own competence, the bonuses and premiums of their subordinate managers.

The gradual increase of the base pay of top managers will permit also the suitable remuneration of other managers, and of subordinates with university or college degrees who are doing creative work. The effectiveness of productive activity depends to a large extent on the interest and ability of the key figures in the innovation process, the R & D staff, to see things from the customer's point of view and to adapt flexibly to the market demand. Under the present difficult economic conditions, it is not possible to give the technical intelligentsia a general pay increase. But why not give the few designers and manufacturing engineers who develop a new product or introduce a new technology, which provides the foundation for the entire collective's well-being, a substantial amount from the profit, an amount that significantly influences their lifetime earnings and personal financial situation? The substantial financial stake would clearly make their work more productive. It would be worth while to increase by one order of magnitude the present incentives for the R & D staff, making them more interested in the research and development of marketable, fashionable and modern products that are usually in short supply, and of technologies that result in substantial savings and improvement of quality. The personal economic incentive could be linked also directly to the increase in profit or sales.

In the area of personal incentives, the new government resolution modernizes the economic incentives only for directors and their deputies. However, consistent implementation of this resolution could serve as a model and compel differentiation within the entire hierarchy of managers, engineers and technicians, and income distribution based on the performances of individuals and collectives.

The level and effectiveness of stimulation depend decisively on how an enterprise's internal incentive system is designed. A sound and suitably effective internal incentive system breaks the enterprise tasks down by plants, shops and workers. Admittedly, the performance requirements differ in their nature by workplaces and jobs. Piece rates can be employed in some places. Elsewhere the task is to improve quality, save materials and conserve energy. Thus, tailor-made requirements, applicable to individuals, can be set only locally. Where exact methods cannot be developed to measure performance, earnings must be differentiated in accordance with performance with the help of various aids (for example, a point system, grading), on the basis of responsible management decisions. Rearrangement of the ratios of earnings, redistribution of the variable wage component (bonuses and premiums), abolition of wage supplements that are independent of performance, and increased recognition of real performances will be unavoidable. It is important to increase the incentives of those workers who play a key role in improving quality and conserving energy. The incentives for the managers of factory units, plants and shops should not be linked to the enterprise's general tasks, but to tasks over which they have effective control.

Socially useful activity performed after regular working hours also contributes to the differentiation of incomes in accordance with the work performed. Suitable economic and moral recognition cannot depend on where and when the work is done. Those whose performance is above average and who contribute more toward society's wealth are entitled to get more than average. In years past, society often condemned summarily all forms of earning extra income as trickery and avarice. For a long time, only activity within the plant, cooperative or office was regarded as socially useful and organized. It took time to realize that socially useless activity also could be performed in socialist plants and unearned income could be obtained there. And conversely, that work performed after regular working hours and outside the regular place of employment also can be socially useful, and even indispensable.

The person who works hard during his regular working hours and in his leisure time usually appreciates the forint. The family objectives that motivate more work and greater diligence include better and nicer housing, perhaps a weekend cottage, a car, and provisions for the children's future. Attainable objectives and opportunities to spend the forints earned are just as necessary for stimulation as are unambiguous, realistic and mobilizing performance requirements.

Those who live amidst modest financial circumstances might object that there are others who can afford also luxuries. However, it should be borne in mind that above-average work in terms of quantity and quality, greater diligence and effective stimulation provide, on the scale of entire society, the material resources to alleviate the situation of those who need assistance and to relieve the existing social tensions.

Protection of the forint's purchasing power lies in the interest of persons with low incomes as well as of those with higher incomes. Which means that the outflow of personal income must be linked to performance. Therefore it is important that government measures for making incentives more effective and for differentiating distribution should be followed by decisive enterprise measures and by rising personal and collective performances.

1014
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POLICY OF RESTRAINING INVESTMENTS VIEWED

Budapest NEPSZABADSAG in Hungarian 2 Feb 83 p 10

[Article by Istvan Dancs, managing director of the Hungarian National Bank: "Investment Policy in 1983"]

[Text] The chief goals of the national economic plan--consolidating the external balance situation and maintaining our international solvency--directly determine our 1983 investments. Amidst the well known conditions since 1979--the world economic recession and the tightening of international credit--a reduction in the internal use of the national income produced in our economy, before all else a reduction in accumulation and investment, has become unavoidable. In 1983 our investments will moderate further by about 10 percent.

The moderation will be of about equal magnitude in investments based on central decisions and in those based on decentralized decisions. We will reduce the investments of the directly producing and of the non-material branches to essentially the same degree.

Concerning Experiences

The individual financial resources available to our enterprises and cooperatives would have made possible more investment than desirable in 1983 also. Special measures, involving modifications of certain elements of the regulator system, were necessary to moderate the individual resources being generated. The combined sum of investment bank credit extended and of budgetary supports will be less than in 1982--primarily by reducing the latter. In this way an ever greater proportion of the central and credit resources available will be concentrated on developments directly serving the chief goals of the national economic plan--increasing the export goods base, rationalizing energy management and actions serving rational use of waste and secondary raw materials and improving management of the most valuable primary materials.

The years spent in reducing investments have brought noteworthy positive and negative experiences. Before all else it can be demonstrated that so far, thanks to a tight hold on solvent investment demand, we have succeeded in avoiding a new investment tension peak which promised to be very dangerous and which, in the past, periodically and "customarily" accompanied our 5-year plans. The data for investment bank credit well illustrate the real threat of tension (see graph).

[The graph titled "Development of Bank Credits for Investment Purpose" gives the 1979, 1980, 1981 and 1982 figures for credit demand--100, 184, 316 and 108--and for credit authorized--100, 178, 263 and 126.7.]

Under the great demand pressure it was possible to hold solvent demand within the frameworks set by the plan, initially by reducing state budgetary supports and with various restrictions on the use of the sum of credit granted annually and later with various restrictions on the use of resources generated by the enterprises themselves. But the reduction was unambiguously achieved by means of central measures; the overwhelming majority of our enterprises evidenced investment policy behavior deviating from this. They judged both the domestic and the international market prospects to be more secure than they really were; their investment prescriptions continued to correspond to earlier, more tranquil years. But they wanted to cover an ever greater part of the capital needed for their economic-technical development not out of enterprise reserves but rather--not rarely assuming significant risk--out of their currently realized incomes. When it began to appear that their own resources would not be sufficient for this they tried to win the necessary investment credit by "planning" an unrealistically high profitability.

Increasing Burdens

It is no accident that by the end of 1982 the enterprises had an amount of investment bank credit nearly twice that of 1976 while their state loan holdings had increased 230-240 percent. Their annual repayment obligations had increased from 18 percent of the resources they generated themselves each year in 1976 to 27 percent. In some branches--machine industry and light industry--it approaches and in some places--metallurgy and the construction materials industry--it exceeds 50 percent of the resources they generate themselves. There is an increasing number of smaller enterprises and cooperatives which are investing entirely from their own resources without outside sources--bank credit and state support--while there are more and more larger enterprises which are ever less capable of the prescribed repayment of their credit holdings.

It is another important warning sign that, for example, barely one-third of the significant industrial enterprise investments put into operation in 1980-1981 were able to realize for the enterprise the extra income planned or extra income greater than planned; the extra sales fell below what had been planned by 20 percent; and they achieved only about 80 percent of the planned net profits from sales directed at capitalist markets. It is thus not surprising that the capital/production quotient increased further in recent years.

Thus, in the years of restraint thus far, the foundation for investments has not improved substantially; a closer analysis shows that many of those deciding on investments proceeded in the manner which had been customary in the period of swift growth. They attributed less significance than they should have to the fact that changing the technical level lays the foundation for production which requires certain costs. One can hardly find in the decisions goals which would reduce production expenditures through investment; thus the criterion of economical operation frequently remains of only secondary importance.

In the period of swifter growth it was easier to make capacity created in this way "profitable"--not rarely with central aid. But today, when the international market conditions are more difficult and when the domestic conditions for access to financial concessions and budgetary support are more strict, when the size advantages of enterprises or the branch to which they belong are less and less decisive, the deficiencies of each significant investment have a quite direct negative effect on the overall enterprise economic-financial balance.

The realization of investments decided on continues to be slow; for years, investments in virtually every size category have required execution times which can be measured in months. This excessively long time reduces the planned technology to only average modernness by the time it is placed in operation and makes difficult a flexible accomodation to quickly changing market requirements.

Thus, so far, the prognosis that a lasting restraint on solvent demand would improve the investment market balance in the hope that a customer market would develop in the area of construction and that entrepreneurial spirit would pick up has not been justified.

The enterprises are finding it difficult to break with habits developed in the period of extensive growth; they are still trying to improve economicalness and the production structure with supplementary investments based on existing property, regarding the assets already available as unchanged and even as unchangeable. But since the annual increment is shrinking today, in the years of restraint, they should take hold of all the assets available, if necessary freeing themselves of "idle" assets, so that the manuevering ability of the enterprise should improve and superfluous operating costs should be eliminated.

Not rarely one can discover signs of contradictory behavior on the part of the leadership even in enterprises in a difficult situation. On the one hand they demand increased independence in regard to decisions on exports, imports, prices and wages, but they do not want to give up the security which can be given them by the guidance or supervisory organs in the event of economic-financial failure.

Thus it can be seen that we would not have been forced to such strong restraint--even in the area of investments--even with the increasingly unfavorable external conditions if our enterprises, whose less successful investments had fundamentally shaken the economic-financial balance, had adjusted their development decisions at the end of the 1970's and the beginning of the 1980's to price and market forecasts which promised to be more realistic.

We can form a very spotty picture of the investment activity of our enterprises. The striking deficiencies become sharp precisely in the mirror of the accomplishments of those whose management shows balanced economic results. As a consequence the accomplishments which have been above average thus far must be regarded as the chief guarantee; our resources must be concentrated where the leaders, researchers and skilled workers have proven themselves, where the development of the abilities and characteristics necessary for accomodation to the world economy is on the right path. The offensive includes the idea that state aid also must be given to those who have proven their viability amidst the most difficult market conditions.

Greater Selection

Hereafter also--if our emphasis is truly selective--there will be no few enterprises which will get fewer investment resources than they need, whose production will stagnate or even decline, a part of their capacity remaining unexploited. Preparing for this we are now developing a system to deal in a purposeful manner with low efficiency production units--in a preventive way. But there will also be need for selective restrictions, well selecting those less economical activities the elimination of which is urgent, from which capital, material and trained labor should be withdrawn as soon as possible and transferred to areas which will use them more economically.

A slow rate of growth in the economy threatens a state of stagnation in any case. But a low rate becomes equivalent to stagnation only if the internal changes slow down also. For well known reasons our rate of development and ratios of internal distribution will develop in 1983 in a way similar to the preceding year. Indeed, it appears that we will not be able to change them radically in the next 1-2 years either. But we can achieve very significant internal structural changes and we can lay the foundation for this with the qualitative improvement which can be attained in the area of investments.

An improvement in the general medium of management is indispensable for this also. We mean by this primarily a consistent realization of the present policy of strict demand restriction and regulation, increasing the market dependency of the enterprises as sellers, enlivening the domestic flow of assets, moderating the degree of centralization in guidance and reducing informal interventions.

8984
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UPS, DOWNS OF SMALL BUSINESS REFORM VIEWED

Budapest HETI VILAGGAZDASAG in Hungarian 1 Jan 83 pp 37-39

[Article by Agnes Tibor and Tamas Urvolgyi]

> [Text] Will the small businesses functioning on the basis of the new regulations prove viable? Will they realize the hopes attached to them in terms of providing additional capacity and of utilizing idle resources and creative abilities? Many such questions arose a year ago, on the eve of the formation of new small businesses. Today it seems that through the new possibilities we have been able to arouse dormant entrepreneurial skills, and that the small businesses are finding the methods of their efficient operation, often setting an example for the large enterprises.

Few things evoked so much passion and debate in Hungary in 1982 as the issue of small businesses. Perhaps only the state and prospects of the economy have been analyzed by so many and so often, in professional circles and among friends, as who could profitably start a new business, under what conditions and when, who would benefit from this and what it would lead to.

In 1982, many persons became interested in doing independently organized work, at their own risk and for their own account. During the first ten months of the year, more than 10,000 new businesses were established, with the participation of nearly 60,000 persons. Officially they were able to choose from among a total of 18 forms of business, including 9 new ones.

Most of the small businesses, nearly 8,000, have been formed within state enterprises and cooperatives, where it is possible to undertake additional work in one's spare time, with relatively less risk and without substantial own investment. The most widespread are the the enterprise business work partnerships [EBWP's]. By October, their number exceeded the 2,000, with a membership over 20,000. Fairly many people chose the small cooperative form. Most of the small cooperatives are new businesses, while the others have been converted from previous cooperatives into this new form that is tailor-made for small collectives. Today 16 percent of the industrial service cooperatives are small cooperatives, but the fixed rate payment system has spread in the provinces.

Operation of industrial units by contract is less popular. Presumably because the freedom of action provided under this form is not commensurate with the risk involved, since the procurement of industrial products--due also to the frequent shortages--is more difficult than the procurement of, say, food products. The situation is different with small companies and subsidiaries, of which again fewer have been formed than expected. Experience shows that shortage of capital needed for establishing small companies and subsidiaries is only one of the reasons for this. More important is the fact that enterprise managers are reluctant to propose shrinking their organizations and changes resulting in a loss of prestige due to the transfer of authority.

There is keen interest in private businesses. The number of private artisans and private merchants has risen sharply this year. In spite of the tax drawbacks, the number of civil-law partnerships has increased somewhat; they do not need permission to hire employees, their paperwork is more simple, and they may freely choose their activities. Business work partnerships [BWP's] are spreading rapidly.

A large proportion of small businesses are engaged in industrial or construction activity or provide services. One-third of the small businesses have been formed for intellectual activity; fewer are engaged in transportation and communication, and very few in cultural, social or sport activity. The EBWP's usually are engaged in productive activity or in providing direct services for production; and less frequently in maintenance of intellectual activity. Most of them--contrary to the original expectations--are striving to meet the needs of their own enterprises. Hardly any of them are working for the population. The enterprises usually treat their EBWP's as sort of subcontractors who help to replace the manpower shortage and unreliable cooperation partners, and make needed tools and special-purpose machinery. Some enterprises assign work to the EBWP's instead of authorizing overtime, or they circumvent the wage regulations in this manner.

Tax revenue from small businesses has increased considerably, by more than had been expected. There are entrepreneurs for many types of work which earlier went begging. There are truckers willing to haul on Sundays, car-washers, carpet-cleaners and furniture-assemblers willing to come to your house, and dozens of businesses are offering their services in building maintenance, finding a partner or doing market research. The enterprises' fears have not materialized: their good skilled workers have not left them and have formed EBWP's instead. There are examples--the taxi drivers for one--that competition in the form of small businesses is compelling the enterprises to adopt measures which earlier they would not have adopted at all or would have done so more slowly.

But not all of the expectations attached to small businesses have materialized. For example, only a fraction of the unlicensed artisans have joined the ranks of taxpayers. The new businesses are barely utilizing the population's savings, for the entrepreneurs are not necessarily the ones with surplus cash. Many of them are able to realize only their more modest ideas, specifically because they lack the necessary capital, and most of the small businesses have been established in trades that are less capital-intensive. Of course, the initial mistrust in anything new, and the limited availability of credit have been contributing factors. Contrary to the original expectations, the small businesses are supplying the population's needs on a much smaller scale than what would be desirable. One cause of this is very likely the fact that socialist large-scale industry is able to pay would-be entrepreneurs more for their work than what they can expect to earn in a small business.

The legal framework for the operation of small businesses has been constructed and defined by nearly 50 new statutory regulations that have created suitable conditions for the establishment of small businesses. But practice immediately questioned some of these statutory regulations, perhaps because the new forms did not resemble anything that existed previously in the socialist sector, and the architects of the new legislation had been groping to some extent in the dark. Some of the statutory regulations introduced earlier had to be, or will have to be, amended. For example, regulations that list specifically who is entitled to engage in a certain activity, leaving out the BWP's since they had not been in existence when the statutory regulation in question was drafted. According to the new decree, the activities of BWP's may be restricted only by a law, law decree, or a decree or resolution of the Council of Ministers.

Often the implementation of even good legislation encountered obstacles. Thus the Ministry of Culture and Education neglected for a long time to review the higher-level statutory regulations on the staging of entertainment programs and on book publishing, since it was unclear how these regulations applied to small businesses. The Ministry of Construction and Urban Development likewise delayed for months its standpoint in principle on the establishment of a small company. The Ministry of Communications and Post was slow in licensing private taxi services.

Today even the local councils have more or less grown into their new role in this area. At the beginning of the year, a BWP wishing to register often had to wait for months, because the local council was unable to decide which department would oversee the given activity. Admittedly, the local councils' situation was made difficult by all the paperwork involved. For example, a certificate of good character had to be presented for each member of an EBWP.

The reception with which the small businesses have met is generally favorable. But some people have expressed also their doubts and misgivings. Concern was voiced by many that the outflow of purchasing power would be greater than desirable, because under the present conditions the enterprises could charge to costs whatever they pay the small businesses. But this can create a problem only when there is no actual increase in performance behind income obtained in this manner. Since there is probably no danger of this for the time being, there are no plans to amend the pertinent statutory regulations.

The operation of the EBWP's, however, raises real contradictions. An enterprise's managers--including lower, middle and top management--are excluded from EBWP's because of their position, and this applies also to colleagues who assign and check the work performed. Elsewhere the nature of the activity is such that the EBWP could not be independent even if it wanted to be: its operation depends on the goodwill of persons not belonging to the EBWP, or on the extent to which it is in the interest of management to let a specific EBWP earn more. This situation arises when there is a shortage of materials necessary for the given activity, or when there are not enough orders. Occasionally it is difficult to determine whether a worker performed some work on EBWP time or on enterprise time; this problem arises especially in the case of intellectual activity. And for the time being there is no remedy against the workers' holding back their performance on enterprise time, but stepping up their performance when [illegible] EBWP.

There still are a few unresolved problems in conjunction with small businesses. Occasionally they stem from the fact that the necessary statutory regulations cannot be easily reconciled with the existing ones. In the area of social services, for example, under the existing income conditions it would be specifically the people most in need of such services who would not be able to afford them if entrepreneurs were to charge profitable prices. In several places, over and above the question of small businesses, a decision is necessary on whether to lease cultural services to entrepreneurs. Others see a potential for the expansion of import and export by small businesses and are proposing the establishment of a foreign-trade enterprise specializing in small businesses. And sometimes the solution is in the hands of the small businesses; it is up to them to form a federation representing their interests.

1014
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PROBLEMS OF STARTING SMALL BUSINESSES EXEMPLIFIED

Budapest FIGYELO in Hungarian 6 Jan 83 p 3

[Interview with a small entrepreneur, by Dr Maria Torocsik; date and place of interview not given]

> [Text] Bela Z. is a design engineer with two diplomas, 40 years of age. In 1981, he resigned from his 6000 forint/month job. Now he is a founding member of a design bureau that functions as a business work parnetship (BWP) in a Trans-Danubian city.

[Question] Why did you give up your job security, and why do you prefer to take the risks of self-employment?

[Answer] Basically because of my boss. The fact alone that he was not a professional and knew nothing about designing would not have mattered much. But his style of management was poor. It was not performance that he rewarded. That is why at the end even the draftsmen were earning nearly as much as I with my two diplomas.

[Question] Then you switched in the hope of higher earnings?

[Answer] I would not have stayed even for higher pay, because I was unable to stand the atmosphere. But aside from that, I have always been intrigued by new things, new assignments. Of course, it would be useless to deny the attraction of higher earnings. Today the general attitude and economic environment in Hungary definitely encourage thinking people willing to take risks: let them show what they are able to do. The only trouble is that these entrepreneurs are mostly involved in things in which they see the most money, and not in work for which they are qualified and where they can put their creative abilities to good use.

Before the BWP, I too tried to grow flowers in plastic tents. I tried it, liked it, but did not know much about it, despite reading the professional literature and consulting experts. This lesson cost me 10,000 forints. After this false start, the solution seemed obvious. The design problems at my former place of work haunted me even after quitting time. I bought books and subscribed to technical and economic journals. In all, I devoted 10 to 12 hours a day to my profession, but nobody paid me overtime. In the last quarter of 1981, I finally decided to form a civil-law partnership with several colleagues, to work on a part-time basis. But I wish to emphasize that I would not have done this solely in the hope of extra income.

[Question] Before you formed the partnership, how did you determine whether there would be any demand for your services?

[Answer] We knew there was a great demand for the services of design bureaus. The enterprises are making many "minor" changes in their technologies and products, changes in which the large designing institutes are not interested. These are small commissions, between 20,000 and 100,000 forints.

Thus we knew immediately that our BWP would be able to fill a gap, satisfying actual demand, as soon as the enterprises learned about us and gave us commissions. Hence we did not have to assume too much of a risk. The more so because establishment of the design bureau did not require a large investment. We started the BWP with 20,000 forints cash and about 20,000 forints' worth of equipment (for example, furniture). For the time being, we do not even have a separate office. Every one works at home, and we get together only to debate the problems and discuss the completed jobs.

[Question] Was it much trouble to establish the BWP?

[Answer] Originally we formed a civil-law partnership. We had wanted to establish a BWP, but the Ministry of Industry advised us that first we should register as a civil-law partnership, because then it would be easier to reclassify the firm.

Maintaining the civil-law partnership would have been disadvantageous for us in every respect. We were liable to a high partnership profit tax and community development tax, and we were not covered by social security insurance. A civil-law partnership on a full-time basis would have been too much of a risk, with relatively little return. Registration was nevertheless warranted, because of the more simple procedures. Thus we signed the partnership contract, but with the stipulation that after 1 Januar 1982 we would convert into a BWP.

At the time of planning, there were about 10 of us. But in the end only four of the ten were willing to work full-time in the new partnership. But six months after our formation, four of the other former colleagues came back to work for as partners or employees.

[Question] Did you get any help from the authorities?

[Answer] We received the most help from the megye organization of the Finance Ministry's Main Directorate of Control. They were willing to talk to the members of the BWP and help us solve our problems.

But the local-council officials were nitpickers. Up to then they had been dealing only with private artisans and private merchants. They were reluctant to accept the new types of small businesses, and they seemed unaware of their duties in this respect. This is worth mentioning because the local councils do not collect from the new businesses any revenue other than the KOFA [community development tax], and thus they have no financial interest in aiding the new small businesses. The councils should be exercising professional control, but it is still unclear how they will be able to do this since they lack the necessary professional knowledge.

[Question] How are you soliciting business?

[Answer] Everybody knows that personal connections are important, in both the good and the bad sense of this expression. In the case of a small-capacity business such as ours, personal connections account for about 80 percent of our commissions. Unfortunately, personal connections do not mean only meetings to discuss the fulfillment of the commissions and the proper performance of our work; these connections also have to be "fostered."

[Question] Have you tried advertising and calling on potential customers?

[Answer] We have not advertized in the local paper. But we took the telephone directory and sent a brief prospectus to every enterprise within a radius of 50 kilometers. There has been no demonstrable response so far. But we also monitored the ads that the enterprises were placing in FIGYELO, MAGYAR NEMZET, in our local newspaper, in HETI VILAGGAZDASAG and in OTLET. We answered a few ads but have not received any reply. We also tried answering "Help Wanted" ads when the enterprises were looking for development engineers and designers. The enterprises are not always able to keep such highly qualified people continuously employed with work in accordance with their qualifications. However, the personnel departments told us that they were looking for employees and not entrepreneurs.

Incidentally, the best advertising is work well performed, to the customer's satisfaction. On the basis the enterprises are recommending our design bureau to one another.

[Question] What has been your experience in cooperation with state enterprises?

[Answer] In most cases the customers do not know exactly what they want. Thus we have to guess what should be the specific content of the commission. It is typical that the enterprises do not do any market research before giving a commission, and they are unaware of what other economic units are engaged in similar type of activity. Thus we must first do market research to determine whether they want us to design something that has already been solved elsewhere and is therefore readily available.

On the basis of our experience we have come to the conclusion that it is unwise to accept a large commission at the very beginning, especially if the new small business does not have much capital. Among the enterprises that give us commissions there are many that are unable to pay for 3 or 4 months, and this affects us very severely.

It is likewise our experience that the state enterprises do not bargain over our fees. Admittedly, our fees are low. Depending on the size of the commission, we do not charge even 20 to 70 percent of the fees that are binding for state enterprises. But it is nevertheless interesting that the customers hardly ever specify our fee in advance. The enterprises are not sensitive to our fees. This can be attributed to the attitude and situation created by the regulators: the enterprises watch very closely expenditures that are in the nature of wages, but they do not bargain over items that can be charged to costs.

What is causing problems is our business policy not to refuse to accept any commission, no matter how small. But because enterprise decisions take too long, the time limits that the enterprises want us to meet are often too short, and this causes complications. But we seem to have won our customers' confidence because some of them are returning with new commissions.

It is true that we never ask for an extension of the time limits, and we absorb the additional expenses that are incurred in the meantime. Without charge, we also help our customers to find a manufacturer for the developed products. We are working for the long term, taking the conditions seriously and accepting also a more difficult start.

[Question] What problems is the completely different way of life causing for the members of the BWP?

[Answer] One of the main problems in our mutual relations stems from the fact that at their former places of employment the members were accustomed to the old relations between superior and subordinate, where it was difficult for a subordinate to assert a view contrary to that of his superior. Now we are equals, but we do not tolerate well one another's views. It will take time for new norms of conduct to evolve. The new circumstances have suddenly abolished all time restrictions, and the people will have to learn to schedule their time.

The practice to date has been that the member who gets the commission has the first shot at it. This of course applies only to smaller projects. The objective is to keep everyone busy.

A big problem is that the infrastructure for small businesses is relatively meager, and most beginners have to take this into consideration. We do not have a telephone or a telex machine, and do not expect to get them within the foreseeable future. The council and the IKV [Real Estate Management Enterprise] are not even making any promises regarding an office.

[Question] What assistance would you need?

[Answer] The Chamber of Commerce has taken the small businesses under its wings and is helping them as much as it can.

The Small Business Section of the Chamber of Commerce is providing good information for those who are interested, but it is unable to represent our interests. Yet there is need for some agency that would pass on to the government from time to time the problems of small entrepreneurs.

Some of our problems are very ordinary ones.

--Who will certify the parents' income to enroll the children in kindergarten, the day nursery, or the day-time home for schoolchildren?

--Who will provide a recommendation for the entrepreneur who wishes to travel abroad?

--Why can't entrepreneurs obtain credit to purchase goods?

And finally, I would like to suggest that the enterprises be allowed to sell their completely depreciated machinery to small entrepreneurs, for payment in merchandise.

[Question] Taxes are probably your biggest problem.

[Answer] This is true in our case as well. It seems that the limits for the income tax purposes have been based on the experience to date with the private sector, and allowances for tax cheating have virtually been built into the tax system. But businesses whose customers are state enterprises are unable to cheat on their income tax, because their activity and billing can be checked.

Because of taxes, it is not worth earning more than 10,000 to 12,000 forints a month, because above this limit the tax rates are very progressive. This evokes similar behavior as in the other sectors of the economy. For example, it is worth working for a BWP as an employee, because in this way it is possible to earn more with less risk than if one is a member. In the same manner it is better to form a BWP on a part-time basis, because one can earn a fairly high monthly income more easily.

Sooner or later the BWP's will learn that it is not worth working the whole year, only a half year, because up to approximately 72,000 forints of taxable income the tax rates provide an incentive, but over this amount the rates are very progressive. Tax avoidance is very difficult. (Perhaps the only solution is to claim a higher allowance for the use of one's car.)

If the highly progressive tax rates were reduced, probably more people would be forming BWP's on a full-time basis. Why? Today a good expert earns about [illegible] forints a month, sometimes under peaceful conditions and with relatively little risk. It is not worth leaving this income for 10,000 to 12,000 forints of uncertain income, with considerable risk and responsibility. As a direct consequence, few people are working full-time in BWP's, far fewer than had been expected. This in its turn results in that the small businesses, too, are in a monopoly situation, although it had been expected that the encouragement of small businesses would lead to the liquidation of monopolies.

If there were far more small businesses than at present, they would be self-regulating, and the conditions of their operation would not have to be [illegible] centrally. They would be competing with one another, and this would certainly have a favorable effect on the development of prices.

[illegible]
CSO: 2500/113

MARKETIZING ECONOMY: RESULTS, IMPEDIMENTS, SUGGESTIONS

Budapest FIGYELO in Hungarian 20 Jan 83 p 3

[Article by Andrea Alpar and Ivan Gara: "Small Businesses Partners of the State Development Bank"]

[Text] Since the statutory regulations became effective on 1 January 1982, entrepreneurial willingness has increased, especially in the private sector. Of the nearly 4,000 small business organizations formed in the first three quarters of 1982, three-fourths are business work partnerships, and about half of them are enterprise business work partnerships.

Little is being said about the fact that the development of sound proportions within the structure of enterprises unconditionally demands new business organizations, partially to replace the enterprises that are being dissolved, and partially to fill the gap in developing a sound division of labor and sound production cooperation.

It will be expedient to aid the small businesses of the state and cooperative sectors (the small companies, subsidiaries, and small cooperatives) also with the help of instruments similar to the ones employed by banks.

Bank Participation

For about four years, the State Development Bank has been acting as midwife at the birth of the new forms of business activity. Initially it was possible to form small businesses only as associations. (Associations usually are not included among small businesses, although most of them are solving their tasks, linked to a new economic objective, with substantially less fixed capital and a smaller work force than the average in Hungary.) The difficulties in connection with associations seem to have signaled in advance the present problems of the small businesses.

Initially the bank's association-organizing activity unfolded in the areas of primary contracting, the infrastructure, and innovation. The MEDINVEST Primary Contracting Limited Association (MEDINVEST Fovallalkozasi Beteti Tarsulas) was formed for the turnkey construction of medical facilities; KULTURINVEST, for the similar construction of cultural, sport and educational facilities. The TRANSINVEST Primary Contracting Limited Association for Transportation Systems (TRANSINVEST Kozlekedesi Rendszerek Fovallalkozoi Beteti Tarsulas) has been authorized to conduct foreign trade independently; it regards as its principal task to act as primary contractor for transportation systems abroad. The recently formed FILAV Joint Enterprise (FILAV Kozos Vallalat) acts as primary contractor in housing construction and is attempting to supply a part of the domestic demand. FARMINVEST has been formed to market abroad the internationally recognized experience gained in agriculture and also agricultural systems.

In these organizations, which are separate legal entities, the State Development Bank is participating not as creditor in the traditional manner, but as shareholder with corresponding rights and obligations.

In these associations the State Development Bank is the partner of the building construction, civil-engineering construction, planning, engineering and foreign-trade enterprises and of the agricultural cooperatives. This is a step in the direction of commercial banking: as a partner of the other entrepreneurs, the State Development Bank invests money in the new organizations. Profit maximization is the only criterion that the founders set for the new organization. It follows from the nature of the transactions that they start to show a profit only in the second or third year, and thereafter the rate of profit can vary within a wide range.

The Creative Youth Association (Alkoto Ifjusag Egyesules) formed with the State Development Bank's participation provides organizational, and to a lesser extent also financial, assistance for the realization of innovation ideas. The Small-Scale Innovation Bureau (Kisuzemi Innovacios Iroda) differs from the Creative Youth Association in that its customers are private artisans or artisans' collectives involved as originators of innovations, or as the makers of the prototypes, tools, etc. that are necessary for the realization of the innovations.

From these organizations the founders expect not primarily and unconditionally profit, rather the acceleration of the innovation process, and within this the elaboration of new marketable business ideas for the bank, and the creation of the conditions for their utilization in the economy.

As of 1 January 1982, the State Development Bank has broadened its activity to include banking support for the small businesses (small companies, subsidiaries and small cooperatives) formed within the socialist sector. In this sphere the bank is not a partner with a share in the new business, but it provides financing with a share of the risk. This risk in providing capital for the new small business manifests itself in that the bank specifies repayment as a fixed percentage partially of the lent capital and partially of the profit. Consequently, if the small business reports declining profits or none at all, the bank's income also will decline. So far the bank has provided capital for five subsidiaries and one small cooperative.

Obstacles to Business

Regulation often makes business activity more difficult. Regardless of how flexible and broad the framework provided by the new regulations on small businesses, the related lower-level rules and regulations often limit this framework. At the present level of over-regulation, the flexible regulation of small businesses could not be carried through the thousands of related lower level rules and regulations so as to create a consistent system already at the beginning. In the end it was left to the entrepreneurs to uncover completely the conflicting regulations and bureaucratic obstacles that deflect the main objectives. The following are some examples:

--At present only ministries, local councils and government agencies with national authority have the right to establish enterprises. In the current debate on state ownership the view is nearly unanimous that this right should be granted also to banks and their venture funds. The small number of small companies formed so far also indicates the desirability of granting this right to organizations that also have the capital needed to establish small companies. This presupposes the existence of banks or funds whose link to the state budget is not based on gross income, but which feel the consequences of their decisions through their organizations' profit incentives.

--Bureaucratic approval procedures are hampering the formation of businesses. For example, in the case of associations--even assuming the most simple case when only two economic organizations are forming an association--the opinion, permission or approval of about 10 ministries and government agencies with national authority is required. No wonder, then, that often as much as six months elapse between the signing of the articles of association and the opening of a bank account that is a prerequisite for the association to begin its operation. Fortunately, the establishment of subsidiaries is more simple and fewer agencies are involved. But even so the time required to form a subsidiary is measured in months.

--The intention of the architects of the new statutory regulations on small businesses was to let the new organizations operate under a "hard" budgetary constraint. (An example of this is the ban on bailing out small companies.) But at the same time there are several regulations that apply also to small businesses and limit from the outside, by administrative means, their cost management, practically assuming that these businesses are insensitive to the development of their costs. It is hard to explain why an enterprise has the right to establish a subsidiary from its development fund, or to form an association with another enterprise, but the newly formed organization needs official approval for the amount it can spend on entertainment or for how much mileage allowance it can pay.

--Worldwide the banks prefer large enterprises as their customers, allegedly for security reasons. Therefore the developed industrial countries have set up government and semigovernment organizations to provide credit for small and medium businesses.

In our country, too, those with good business ideas rarely have hundreds and thousands stuffed in their mattresses, and therefore the relative paucity of capital often hampers the start of productive activity. But the law prohibits the participation of silent partners. There remains credit as a source of financing, but in the case of a newly forming small cooperative there is much uncertainty. The Hungarian National Bank, which maintains the cooperative's bank account, will not provide credit during the first year. The National Savings Bank is intended to provide credit for private citizens; from its point of view, the small cooperative is an economic organization and should seek credit elsewhere. Also in our country it would be expedient to entrust the supply of the starting small cooperatives' credit needs to an independent foundation, besides one or several financial institutions; the foundation would provide financing on a commercial basis, under a credit scheme that takes the specific conditions (profit incentive based on gross profit, special-purpose fund, etc.) into consideration.

--In the socialist sector, the spreading of small businesses is hampered by the liability to investment tax. Here there is a conflict of two national-economic objectives, between the interest in curbing purchasing power on the investment market, and the interest in encouraging the formation of small businesses. The following case can occur: an enterprise wishing to reduce its office staff converts an office building into a shop for a subsidiary that it wishes to establish; but the change of the building's intended use is regarded as an investment and is liable to a 25-percent investment tax.

--Subsidiaries whose principal activity is the planning and design of buildings may do only design work that falls under Class B. They are not allowed, among other things, to design housing in historical sections of cities or close to historical landmarks, although such designing comes closer to "shop work" than to "large-scale industrial activity." The situation is further complicated by the absence of regulations that link the planning and design of technologies to "enterprise size." This leads to the absurdity that a small cooperative may design a petroleum refinery, but not the refinery's cafeteria building for more than 200 workers.

Without an Infrastructure

--The infrastructure for small businesses is completely lacking. The shortage of office space, for example, is common knowledge. Statutory regulations prohibit the use of dwellings for offices, and they also ban the construction of office buildings. Entrepreneurs have considerable difficulty in obtaining telex machines, telephones and post office boxes. We believe it is necessary to establish, again on a commercial basis, so-called industrial zones where small entrepreneurs could rent suitably furnished and equipped offices, stores or shops, for reasonable rent that would still keep the business profitable.

--Last but not least, mention must be made also of the "human factor's" significance. According to our experience, the success or failure of the small organizations depends to a considerable extent on the person and suitability of the manager or managers. Small businesses in the socialist sector make it possible--specifically as a result of the hard budgetary constraint--for the persons employed in them to directly feel the link between their own activity and the profitability of their organization, and for the economic interest of the managers and workers to be based on the organization's survival and on its economically sensible development. Experience also shows that the circle of selection can be made broader and more democratic through open competition for managers and staff.

Mobilization of the population's savings is being hampered by the absence of developed methods for establishing joint state and private businesses to implement private ideas that exceed the private sector's financial possibilities.

Under the present conditions, this process can be stimulated by several methods, which could be employed even concurrently.

Suggestions

--One method of increasing the number of small companies is in fact already being employed: the state in its capacity as owner is breaking up [illegible] large enterprises.

--As outlined above, it would be expedient to establish, preferably several, independent bank funds or bank subsidiaries, letting them compete with one another, to finance small cooperatives in such a way that the funds or bank subsidiaries would also get a share of the small cooperatives' profits. With the help of credits, these organizations could develop into well-equipped businesses of even medium size while retaining the characteristics of a small cooperative.

--The paucity of capital is one of the obstacles to the formation of entirely new small companies. The investment cost of a well-equipped small company could amount in specific instances to between 100 and 200 million forints. Usually it would be practically impossible to obtain this much money solely from the state budget or solely as bank credit. In the given case, however, it might be possible to include the population's savings in the founding of the small company, through so-called nonvoting shares. The shareholders would be ensured a fixed rate of dividend (but higher than the interest rate on long-term deposits) plus a dividend that would depend on the small company's profitability.

But such shares would not give the shareholders a say in the small company's business policies, and they would not alter the essentially state ownership of the small company.

--Finally we do not regard as impossible, for either practical or theoretical considerations, the exactly opposite case: the state bank's participation with capital in a private business. The private artisan or business work partnership comes to the bank. seeking a partner who will provide capital. We believe that it would be expedient to formulate a legal and financial scheme under which the partners would divide the profits of such a "mixed" business commensurately with their capital shares. If the business is not operating at a loss, the nonstate partner could withdraw his capital investment from the business (which of course would have to be done in a way that does not disrupt its continuous operation). However, the additional capital resulting from the growth of the business would become an indivisible asset of the business, similarly as in the case of cooperative ownership. In this way the business developing into a plant of small or medium size would remain predominantly state-owned, while the entrepreneur would continue to manage the business, on the basis of the previously proven methods and incentives.

1014
CSO: 2500/108

PAYMENT FOR HUNGARIAN EXPORT SLOW

Budapest FIGYELO in Hungarian 20 Jan 83 p 9

[Article by Gyula Szalay: "Waiting for Foreign-Exchange Payments"]

[Excerpts] The purpose of exporting is of course to earn foreign exchange, preferably as soon as possible and in full. Until we receive payment for an export, we have a foreign credit balance. An increase of this foreign credit balance is not necessarily bad. But it is unquestionably unfavorable if within this there is an increase in the proportion of receivables past due, and especially of receivables termed questionable (in other words, their payment uncertain).

In our ruble-denominated trade, and thus primarily in our trade with CEMA countries that is of great importance to us, the clearing system ensures quick settlement of accounts, and thus the proportion of export receivables past due is tolerable. In the following, therefore, we will not discuss payment for ruble-denominated export.

In trade denominated in convertible currency, the trends that have developed in recent years are unfavorable. Between 1979 and 1981, export (direct export calculated in forints at the contractual exchange rate) increased by 13.5 percent, but export receivables increased already by 22 percent, while receivables past due rose sharply by 97.7 percent, and questionable receivables increased by 34 percent. In 1982, receivables past due increased further.

In 1981, the proportion of receivables past due within total receivables exceeded the 10 percent that previously was still regarded as tolerable. In the first half of 1981 this proportion was 12.7 percent, but by October it rose to 18.3 percent.

Among the causes, usually the world market's recession and the customers' worsening liquidity are mentioned first of all, and obviously these are also the reasons that foreign traders give. However, this unquestionably valid statement does not exempt anyone from disclosure of the shortcomings in his own work.

Performance often differs from the terms specified in the contract. Late shipment and the unsuitable quality of the merchandise delay payment and thus increase the amount of the receivables past due.

Settlement of the customers' claims is lengthy. In some instances a delegation goes abroad to the customer to inspect the claim. Perhaps the delegation [illegible] several trips before it "succeeds" in determining the defect. But even then settlement of the customer's claim takes time, because here at home the wrangling over the apportioning of the damage and responsibility is just beginning. This practice enables the customer to delay payment.

And this happens even when the claim concerns only a relatively small proportion of the invoiced shipment. Unfortunately, payment of the invoice total will be delayed even in such cases.

In setting the terms of payment, our enterprises and foreign traders do not always act with the necessary circumspection. Sometimes they export to certain countries valuable shipments without any financial guaranties, to customers on whom they have no credit information or whose credit rating is bad. Collection in such cases is extremely difficult, and it might not be possible to obtain payment even through the courts.

It sometimes happens that Hungarian enterprises with foreign interests ship against orders that are not firm. Either payment will be delayed or, in the absence of market demand, the shipment must be brought back to Hungary, months or even years after payment became due. This practice indicates that the Hungarian parent enterprises treat shipments to their foreign subsidiaries as goods on consignment, although there is no mention of consignment in the contracts.

At several enterprises, not enough attention is being devoted to organizing the collection of receivables. Most sales clerks interpret their assignments literally: they are concerned only with making sales, with no attempt to follow up on payment. The proportion of receivables past due from previous years is fairly high; these accounts (or at least most of them) could have been closed if there had been active collection work.

Uncovering of the causes also shows what changes must be made. In my opinion, the most important tasks are as follows:

--The conditions specified in the foreign-trade contracts (delivery date, quality) must be met, and performance must be controlled systematically. Quality control must be made more effective, with special attention to in-process control.

--Claims from customers must be handled faster.

--The terms of payment must be set with more circumspection.

--Suitable enterprise regulations must be introduced for setting the financial conditions (mode of payment, credit limit, credit information, etc.), and compliance with these regulations must be effectively controlled.

--From companies in which Hungarian enterprises have an interest, payment must be demanded by the time specified in the contract. The present practice regarding unsold merchandise at such companies must be changed.

--The tasks in conjunction with the collection of foreign-exchange receivables must be specified by individuals and jobs.

Over and above the outlined measures, the enterprises can (and must) be stimulated to reduce their receivables past due. Stimulation can be of two types. As a disincentive, the enterprises can be deprived of certain advantages (i.e., they can be penalized) for receivables past due. Or as an incentive, the employees concerned can be promised a bonus to "persuade" them to fulfill this task without failure.

A step in the direction of disincentives has been the tightening by the Hungarian National Bank of the conditions of forint credit against foreign receivables. In flagrant cases the Hungarian National Bank has already applied the provisions of its notice No 408/1979, according to which the bank may withhold a security from the account of the foreign-trade enterprise that "has neglected to collect or has delayed the collection of foreign-exchange receivables."

The bank applies this same sanction in cases when the enterprise, through serious negligence or by its conduct irreconcilable with prudent risk-taking, has made the recovery of the export's value partially or completely impossible, or if the export shipment--due to quality defects or other performance in violation of the contract--must be brought back to Hungary or a substantial price concession must be given on it. The security may amount to 100 percent of the forint equivalent of the foreign-exchange loss. As a sanction, the bank may charge a fee when a part of the purchase price already received has to be refunded, for whatever reason.

The incentive, and perhaps the more effective way of reducing receivables past due, could be to make the enterprises, and within them the departments and the sales personnel, interested not only in how much export crosses the Hungarian border (of course, this too could be one of the conditions to qualify for bonuses), but--as the most important criterion--also in how much foreign exchange the enterprise surrendered to the Hungarian National Bank during the period of evaluation.

I believe that such a "radical" change of the system of incentives would be the most effective way, among all the proposed solutions, of reducing the total amount of receivables past due. Every person engaged in foreign trade would, "in his own interest," concentrate on concluding safe deals, on immediately sending appropriately forceful reminders when payments become past due, and on promptly settling the customers' possible claims, because fulfillment of the conditions to qualify for his bonus would depend predominantly on foreign-exchange earnings.

1014
CSO: 2500/109

INITIAL DATA OF 1982 SOCIOECONOMIC PLAN FULFILLMENT ASSESSED

Warsaw TRYBUNA LUDU in Polish 14 Jan 83 pp 1, 4

[Article by Andrzej Leszczynski: "Socioeconomic Situation in 1982" with initial information from GUS [Central Office of Statistics] reported by PAP; passages enclosed in slantlines printed in boldface]

> [Text] /At the end of January-beginning of February of this year [1983], a communique of the Central Office of Statistics will be issued about the country's socioeconomic situation in 1982. The herein presented information contains initial data which characterize the most important processes, phenomena and trends occurring during the past year:/

/In 1982, the falling trend in material production came to a halt; from the beginning of last year [1982] and with each succeeding month, the drop in production was increasingly smaller while from the beginning of August there occurred a gradual gain in the sold production of industry as compared with the same months in 1981./

Total industrial production in 1982 was lower than in 1981 whereby production of the mining industry was considerably higher and that of the processing industry--somewhat lower. Labor productivity measured by the value of sold production per one employee was higher than in 1981.

/In agriculture and in crop production, grain, vegetable and fruit harvests were higher than in 1981 while potato harvests and those of other cultivated crops were lower. In livestock production, slaughter livestock procurement was at a level close to that of 1981./

Toward the end of 1982, there was some improvement in the building industry. From October on, the basic production of construction-rigging enterprises was higher than during the same months of 1981. However, the total year-end results for the building industry including housing construction were much lower than in 1981.

/In foreign trade, exports to both payments areas increased while imports from the second payments area [capitalist countries] decreased./

The increase in public income exceeded the increase of supplies to the market, thus, making it impossible to achieve total money-market balance. /Supplies covered the needs arising from state control. On the other hand, shortages of other, mainly industrial, supplies continued./

/As a result of the drop in material production and a lack of progress in the efficiency of management, the generated national income was lower than in 1981./

/The sold production of state-controlled industry (according to fixed prices) was 2 percent lower in 1982 than in 1981 whereby a 3 percent drop occurred in the processing industry and production in the mining industry rose 11 percent./ In comparison with 1979, the sold production of state-controlled industry was 16 percent lower in 1982.

Production growth in 1982 as compared to 1981 occurred in the following industries: coal, fuel, power, nonferrous metals, machine, precise, glassmaking, whiteware, paper, clothing and printing industries. A drop in production greater than that of the state-controlled industry as a whole occurred in the iron and steel industry as well as in industries with a large share of market production: metal, electrotechnical and electronic as well as textile industries. Small-scale industry production was 3 percent higher than in 1981.

/The mining of hard coal rose significantly in 1982 as compared with 1981./ The following rose as well: the mining of brown coal, production of electric energy as well as of electrolytic copper, farm tractors, nitrogen and phosphorous fertilizers and cement. The production of sugar assumed a very high level. The production of, among others, coke, natural gas, crude-oil refining and the production of zinc and aluminum was lower than in 1981. /The production of a majority of market goods also assumed a lower level, among these being: washing machines and dryers, refrigerators and freezers, cotton and cottonlike fabrics as well as wool and wool-like fabrics./ Labor productivity measured by the amount of sold production (according to fixed prices) per one employee was 4 percent higher in 1982 than in 1981 but 10 percent lower than in 1979.

/In agriculture, the procurement of consumer grains from the 1982 harvest in the period from the beginning of the campaign until the end of December 1982 amounted to approximately 2.7 million tons and in comparison with the same period in 1981 was more than 80 percent higher but was also considerably lower than the projected amount and assumed a decreasing trend./ The procurement of potatoes from the 1982 harvest beginning with the start of the campaign until the end of November 1982, which amounted to over 2.3 million tons, was 36.8 percent lower than procurement during the same harvest period in 1981. In connection with the unfavorable fodder situation, there occurred livestock production stoppage trends. This led to a drop in the free market prices of piglets, the sale of sows increased and hog reproduction indicators worsened.

The limiting of /fodder deliveries/ caused the virtual elimination of poultry farm production as a result of which poultry procurement in 1982 was about 70 percent lower than in 1981. The total procurement of butcher livestock in 1982 maintained itself at the 1981 level. This was due to the intensification of deliveries of slaughter cattle and hogs to purchasing centers. The number [illegible] livestock was adjusted to the available fodder supplies, [illegible] the reduction of the base herd on a number of farms and may have an effect on [illegible] rearing procurement in 1983.

Milk procurement in 1982 was slightly higher than in the previous year while the procurement of eggs was 16.8 percent lower.

The basic production of state-controlled construction-rigging enterprises in 1982 was 5.7 percent lower than in 1981 and 34.4 percent lower than in [illegible]. State-controlled housing construction made 129,000 apartments available for occupancy in 1982 i.e., 8.1 percent less than in the previous year and [illegible] percent less than in 1979.

In foreign trade, exports were 10.4 percent higher in 1982 than in the previous year while imports were 10.7 percent lower./ Exports increased to both payments areas whereby exports to the first payments area [socialist countries] rose more significantly. At the same time, imports from the first payments area increased while imports from the second payments area [capitalist countries] decreased considerably.

Average employment in the basic sectors of the state-controlled economy--industry, construction, transportation and communication as well as trade was lower in 1982 by 378.2 thousand i.e., 4.7 percent lower than in 1981 whereby it was 3.2 percent lower in industry. The average wages including workers' compensation (without compensation for family members) in industry in 1982 amounted to 12,202 zlotys and rose 54.8 percent in relation to 1981 whereby in the mining industry, the average wages amounted to 22,972 zlotys (72.[illegible] percent increase) and in the processing industry--10,779 zlotys (49 percent increase)./ The wage increase in the mining industry was related to work [illegible] on free Saturdays and the resulting increase in extraction obtained [illegible]. The average wages in the building industry amounted to 11,339 zlotys ([illegible] percent increase), 10,884 zlotys (37.6 percent increase) in transportation, [illegible] zlotys (38.7 percent increase) in the communication industry and 9,[illegible] zlotys (47.5 percent increase) in trade.

The total income of the population in 1982 amounted to 3,401 billion zlotys and increased 62.6 percent by comparison with 1981./ Public spending amounted to [illegible] billion zlotys and rose 66.5 percent including expenses for the purchase of goods--an increase of 75.5 percent. In 1982, funds in public possession [zasoby pieniezne] rose by 391.1 billion zlotys while in 1981 they [illegible] zlotys.

Retail sales of goods by the sectors of the state-controlled economy reached [illegible] billion zlotys and in comparison with 1981, rose approximately 77 percent according to current prices; according to comparable prices, however, retail sales decreased approximately 17 percent./

Supplying the market with food commodities covered by state control [illegible] full implementation of the issued ration cards./ Supplies of sanitary goods and personal hygiene items improved by comparison with 1981. There were [illegible] shortages of food goods which were not covered by state control. The market was poorly supplied with nonfood goods. Market shortages continued [illegible] clothing, fabrics as well as many other durable goods of [illegible].

In January of last year [1982], the value of industry's sold production was 14 percent lower than during the same month of the previous year [1981]. The economy, weakened by the paralyzing wave of strikes, exhibited signs of disintegration and was on a downward course. Added to this were the restrictions imposed by capitalist countries which cut us off from our long established supply sources.

Martial law imposed severe restrictions but at the same time, it warded off the threat of political anarchy and actual economic dissolution. Peace and orderliness were essential conditions for saving the Polish economy from ultimate collapse. Raw and other materials as well as energy, being the basis of all production, were also needed.

[illegible] followed the process of the calming of public feeling and the gradual normalization of the rhythm of production. However, in the monthly commentaries in which we analyzed the country's economic situation from the beginning of the year, one phrase always reappeared: the further decline in production. Admittedly, with every month the rate of this decline was increasing slowly, however, production continued to be lower than that of the previous year [1981]. In February [1982], we produced 11 percent less and in March--[illegible] percent less than the year before. However, regression did not take place in all of the sectors of the economy. The extraction of coal and of other minerals increased. This is where our hope lay for the activation of the entire economy since coal, sulfur and copper are "activating" raw materials as well as the source of valuable foreign-exchange.

Increased mining of native raw materials; improved, more diligent and efficient methods of processing them and assistance from our fellow socialist countries--these are the premises upon which we based our hope in the spring for placing a halt to this decline./ However, this was not easy. In July [1982], the value of industrial sold production was already 4.5 percent lower. Only 4.5 percent but lower, nonetheless. This was already the 24th month of constant regression--regression which emptied out store shelves and warehouses, disorganized the market and unwound speculative dealings. How much longer would we remain in the [illegible]

The answer came in August. This was the first month in which production surpassed the level of the same month of the year before. Not much, barely a 1 percent increase. However, this meant that the downward trend had been finally stopped. From then on, results began to improve from month to month very slowly and with great difficulty. Let us recall that in September [1982], we noted a [illegible] percent growth in production by comparison with the previous year; in October--[illegible] percent and 8 percent in November.

During the autumn months, not only was the mining industry working for this production growth, as was the case in the beginning of the year, but also the processing sectors of industry. Not all and not uniformly. However, on the [illegible] and in the processing industry progress was noted. Nonetheless, the autumn acceleration was unable to balance out the shortages which occurred in the winter and spring. As a result, we are closing out 1982 with a 2 percent lower production than last year. Let us recall that in January, this regression came to 14 percent. At that time, however, we were regressing while at the present time, the wheels of production are moving forward.

/To be sure, these wheels are not yet moving at a speed required to meet social needs and expectations. By comparison with 1979, in which we noted industrial production growth for the last time before the crisis collapse, last year [1982] was 16 percent worse. That is how much separates us in terms of industrial production from returning to the former level./

Statistical indicators confirm public feeling. Our life is difficult. Is it any wonder, though, that the purchase of the most essential articles requires so much trouble and effort when the total value of goods supplied to the market last year [1982] in terms of comparable prices was 17 percent lower than in 1981? At the same time, public income rose 62 percent while the average wages in industry including compensation amounted to 12,202 zlotys, in other words, they were 54.8 percent higher.

To a significant degree, this is money without backing in goods. As a result, the so-called, inflationary curve rose at the end of last year [1982] to [illegible] billion zlotys. That amount set aside out of necessity is capable of "washing away" from the market everything that appears on it. Let us state clearly, however, that not everyone can afford to stock up on goods, just in case. Many families are trying with difficulty to make ends meet. The old truth is that inflation hits those the hardest who are financially weak, who have low incomes.

/The key to the solution of this difficult, complex situation is production growth and improvement of the market situation. The growing public income must find backing in goods./ This is one of the conditions for stopping inflation from advancing. A second condition is increased efficiency, the lowering of production costs and a broadly understood concept of economizing. The economic solutions adopted in the plan for 1983 as well as changes introduced into the mechanisms of economic reform comply with these goals.

9853
CSO: 2600/286

ROMANIA

FUNCTION OF CREDIT AS ECONOMIC CONTROL MECHANISM DISCUSSED

Bucharest REVISTA ECONOMICA in Romanian No 50, 17 Dec 82 pp 25-26

[Article by Nicolae Pretorian]

[Text] Implementing the Romanian Communist Party's economic program to create the multilaterally developed socialist society in Romania demands mobilizing all the material and human resources of the economy, utilizing them with maximum efficiency and having exemplary organization of economic activity at all levels. It is a major desirable of the current stage of development--under conditions in which the international economic circumstances are not favorable--for economic activity to be at a high level of quality and that an emphatic savings process be carried out so that all economic activities are profitable. An important contribution to fulfilling this requirement must be made, on one hand, by increasing the responsibility of those called on to organize and head the production processes and, on the other, by using the economic-financial levers under good conditions. Under the conditions of placing economic activity to an increasingly greater extent within the framework created by introducing the principles of self-leadership and self-management it is of primary necessity to use the value categories such as monies, credit and interest with greater efficiency with a view to exemplary fulfillment of the plan tasks. In this connection, Comrade Nicolae Ceausescu pointed out: "In the current stage it is necessary to continue increasing the role of finances and credit and the financial-banking organs have the duty to provide for the good operation of the economic mechanism, to increase economic efficiency, profits and profitability and to consolidate the financial balance of the economy, to administer the public monies with a high sense of responsibility, to hasten the speed at which capital rotates and to establish a strict savings program and thorough financial discipline in all units."

In this context, credit is a basic element in carrying out self-management both at the macro-economic level but particularly at the micro-economic level, with intervention and its good operation playing an important tole in the balanced flow of economic activity. What is more, we can state that whereas the economic plan marks out the balanced development of the economy, establishing tasks and goals needed to be fulfilled during a certain stage, then credit and money have the task of seeking that the balance established through the plan be respected in implementation of it, while the new phenomena which appear and which are to be reflected in the evolution of credit and monetary circulation should be analyzed on time and, according to the case, [illegible] through the measures which should be taken by the factors participating in economic and social activity.

Improvement in the Bank-Enterprise Relationship

The rising development of the Romanian economy in the 1981-1985 period will intensify activity in the area of credit and monetary circulation. It is very important for the banking system to continually seek that the volume of credit and quantity of monies created through it be closely correlated with the development of material production. Application of the principles and measures established by the new economic and financial mechanism under good conditions will be of capital importance for insuring an optimum ratio between economic development and the evolution of credit and monetary circulation.

By giving credit the bank creates (produces) monies which then are used by the participants in social production to carry out economic activity. Once issued and placed into circulation, the monies create purchasing power for those holding them, thus participating either in the circulation of the goods produced or in the savings process. Through the mechanism of giving and paying bank credits, actually monetary circulation is regulated, thus insuring that the volume of monies in the economy is as close as possible to the optimum level desired. By creating monies which in turn create purchasing power, credit acts within self-management as one of its basic elements, as a barometer which continually shows in which direction action should be taken to fulfill the plan tasks and the level of each unit as well as of the entire economy.

Achieving economic and monetary balance, as monetary issuance and credit, should be closely connected with carrying out of the economic process, monies placed into circulation through the crediting mechanism should be the result of activities from which useful goods and services for the economy and for the population result. In this context, the concept of covering the monies is basic for the health of the unit.

The measures recently accepted for workers to participate directly in establishing the production and development funds for the units are a new stimulus for the concern which they must give to the way in which the material and monetary funds in their unit are used.

In our economy there are enough resources to permit crediting operations and the issuing of monies to be carried out under good conditions. First it is a matter of the fact that both the volume of credit as well as of monetary circulation are subject to the planning process. The plan for credits and the plan for cash have a particularly big role in the leadership and orientation of the state's monetary activity. Worked out in close connection with the economic and financial plans both at the level of the production units as well as the level of the economy, the two monetary plans seek to mobilize all factors concerned with solving the problems which appear while the plan tasks are being fulfilled. The special importance given to monetary planning in Romania is brought out also by the fact that the analysis and approval of the credits plan and the plan for cash are made at the highest level.

Prevention and Elimination of Tie-Ups

The planned leadership of the economy and the opportunity [illegible] for the [illegible] development of the economy to be understood effectively. However, [illegible] explain the fact that in certain situations some units produce goods for which a use is not found temporarily or [illegible] at all, giving rise to the phenomenon of [illegible] resulting in tie-ups in this way. Just as negative also is the fact that some units do not succeed in fully covering expenses with the price obtained from utilization of the products, recording negative financial results. [illegible] is brought on by such cases places the bank in the situation of granting [illegible] currency the covering (guarantee) of which is doubtful. The fact that [illegible] credits are still given to the enterprises [illegible] these [illegible] should be viewed with much reservation, and these cases should be treated as undesirable matters for the bank, whose social responsibility [illegible] the right with which it is invested to give credits and, thus, create [illegible] immense within the national economy.

An important role belongs to credit as a result of its participation in the financing of circulating resources in completing the economic units' own funds. The diversity and complexity of the production processes, the existence of a large number of economic units which take action within the division and specialization of work mean that certain stocks of material values with a view to their transformation into material goods necessary for collective or individual consumption accumulate in the particular units with a view to the uninterrupted and efficient flow of the actual production process. Of course, if the existence of certain stocks of material values in the enterprises is economically justified, the problem of increasing them is one of the basic tasks for the leadership cadres, specialists and financial-banking organs in the economy.

The force of action of credit in setting the size of the stocks of material values in the enterprises lies in the fact that its share in the sources for financing the circulating resources represents more than 50 percent of the funds utilized for this purpose for the economy as a whole. Appealing to credits, the enterprises enter into relations with the banks, which, as specialized state organs in the financial-banking area, are required to declare whether the enterprises' requests for credit are justified and whether they lead to too large an accumulation of stocks and, thus, to a slowdown in the rotating speed of circulating resources, which would be one of the negative aspects in utilization of the social labor achieved within the economy. In practice there is a continuous dialogue between the enterprises on one hand and the banks on the other, a dialogue which now and then takes on a contradictory nature, since while some enterprises wish to obtain larger and larger volume of credits, the bank [illegible] for them to be as [illegible] a size as possible, depending on the concrete needs of the particular enterprise.

A first condition which must be respected in giving credits for financing the circulating resources refers to the need for them to fit into the planned [illegible]. This condition is very clearly regulated by the Law on Finances, which provides for the banks' obligation to fit into the credit plan and the [illegible] approved for each economic unit.

The capital belonging to the enterprises, those eventually received from the budget as well as credits should insure financing of the planned increase of [illegible] resources from one period to another. It stands to reason that any attempt to increase the circulating resources beyond the level foreseen upon distribution of the national income comes to change [illegible] the structure established by the plan and, according to the case, affects the [illegible] funds intended for financing the investments or the consumption [illegible]. As a result, the technique of giving credit to financing the circulating resources proceeds from the need that in each unit the volume of funds and, thus, the volume of credits should fit into the level established by the plan.

There are situations in practice where some economic units, due to certain shortcomings in technical-material supply and failure to respect the production time established, in producing products without sale or failure to have complete recovery of the expenses incurred, reach a situation of no longer being able to cope with the current payment obligations toward the partners and, as such, they request additional credits beyond the ones established on the basis of the plan tasks. In this connection, first it should be mentioned that the economic-financial principle which should be a basic rule in the leadership and [illegible] in each enterprise's activity, among other things, requires that an enterprise carry out its activity with a well-specified volume of capital established on the basis of plan tasks in agreement with the technologies applied and with the type of organization of relations with the suppliers and buyers. Supply only with what is needed and on time, strict respect for the production cycles as established in the technologies approved and production of high-quality products which have their sale insured are obligatory conditions for carrying out the principle of self-management in practice. From the viewpoint of economic efficiency, the problem being posed is not only of respecting the planned level of stocks but of reducing these stocks below the level established, in accordance with a requirement which provides that the largest possible production be obtained with the smallest possible capital.

Second, self-management has in mind that the products be produced with the lowest possible costs, a fact which has direct positive consequences not only for raising profits but also reducing the capital which must be invested in production stocks, since these, too, should be lower. From this viewpoint it should be pointed out that utilization of a lower volume of stocks of material values in the production process, from the viewpoint of efficiency has a value similar to that of reducing the material production costs and permits faster development of the economy.

Third, the principle of self-management requires that each enterprise fully cover its production expenses from the incomes achieved following utilization of production, should establish its development funds, funds for material incentives for the collective and other funds and should satisfy its obligations toward society. The reverse situation is unacceptable, since it would mean that certain enterprises would actually consume more than they produce, would live from the work of others and not only would not be capable of creating their own funds needed for further development, but would remain financially in debt, while either the budget or the bank would have to cover the imbalance recorded.

The financial legislation currently being used in Romania has clear provisions for the basic requirements of self-management are met and that the enterprises

In relation and the banks can give credits [illegible] granted as [illegible] agreement within the limit of the credit plan [illegible] planned for each enterprise separately. Although [illegible] enterprise leaders, especially cadres with technical training, the bank's [illegible] when it approves giving additional credits [illegible] the bank, except when it gives these credits in order [illegible] relations with the enterprises. The bank's intransigent position [illegible] be understood by the enterprise leaders but also by the bank workers as the only correct way so that the bank can actually contribute to [illegible] application of the principle of self-management in each economic [illegible] consideration of the new economic and financial mechanism under [illegible] conditions.

Of course, there also are a number of situations in the activities of certain enterprises where, due to reasons independent of their will, there are disruptions in moving the stocks which require additional capital for short periods. Romania's financial-banking legislation has provided for such situations, with the bank being authorized to give credits for temporary needs or other credits. For that reason, such credits should be treated by the bank [illegible] and even with certain reservations in giving them, while repayment of them should be guaranteed by measures which lead to fast elimination of their causes.

The new economic-financial mechanism applied in economy has introduced the [illegible] of incomes and expenses as a tool for leadership of economic activity in each unit. Thus the opportunity exists for the volume of credits necessary to be established in time and in connection with the realities in each unit.

Establishing conditions and precise criteria on whose basis the volume of credits and how the giving of them are determined is one of the basic factors in introducing a severe discipline in using the capital intended for financing the circulating resources. In this framework an important role is played by the credit contracts. Conclusion of the credit contract is an opportunity for analysis for the enterprise and for the bank, an opportunity for preventive [illegible] of establishing the volume of credits needed, conditions and obligations belonging to the sides until complete repayment of the credits.

It is [illegible] necessary that conditions be created in each enterprise so that its activities flow normally, since what are important for them are not only the conditions under which credits are given but, in particular, [illegible] the possibilities of repayment of them. [illegible] giving credits means [illegible] an equivalent for the economy is created, [illegible] ensures [illegible] making an [illegible] of the quantity [illegible] and, thus, [illegible] credits, the bank is authorized by law to refuse to give the credits [illegible] units in the case in which the products being produced are not [illegible] through domestic contracts or contracts for export. In [illegible] situations, [illegible] enterprise leaders cannot support the necessity [illegible] of the credits when the contracts [illegible] must also be signed by the industrial centrals [illegible]. The banks preserve their right to refuse to give credits [illegible] are not capable of insuring normal flow of activities and [illegible] that the credits be repaid.

As a result, the banks have a large say in connection with the way in which the principles of self-management are applied in each unit separately, discovering in time the units in which all conditions are not insured for having the activity of supply, production and sale unfold under good conditions. In this regard, action also is being taken so that a qualitative growth also takes place in banking activity so that each banking organ is capable of fulfilling the important role belonging to this institution in applying the principles of self-management. For this to occur, the banks must have good knowledge of the way in which activity in each unit is organized and takes place and, thus, must carry out checks on it. The task of the bank's carrying out checks derives from the economic and social responsibility it has within the national economy. In this context, banking control is a basic function of credit, while the exercising of it, far from being just a safety measure on the part of the bank, is more an economic need of primary importance. Banking checks through credits must be viewed as having a constructive nature, aiding the enterprises in finding solutions which continually lead to improvement in work in the economic and financial area and to increasing the growth in efficiency in utilizing the material and monetary funds entrusted by society.

8071
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DEPUTY MINISTER DETAILS MACHINE BUILDING INDUSTRY PROGRAMS

Bucharest ROMANIA LIBERA in Romanian 15, 24 Dec 82

[Interview with Stelian Teodorescu, deputy minister of the machine building industry, by M. Radian]

[15 Dec 82, pp 1, 5]

[Text] [Question] Mr minister, you have the role of supplying all the branches of the national economy and since shortly it will be three years since the work of the 12th party congress, please could you tell us overall what the balance of the branch appears to be?

[Answer] Before talking about the balance of the recent years, I would like to refer to the general framework of our work, that is, the fact that we concluded many five-year plans in which Romanian industry saw a dynamic development and unprecedented modernization. This is the product of the party's scientific policy, a policy in which the party's secretary general, Comrade Nicolae Ceausescu, continually has made a contribution of the greatest value. Through the direct help given by the party's secretary general to the entire national economy, the share of machine building at the start of last year represented 24 percent of the industry's production and 28 percent of the country's export, with the average annual growth rate achieved being around 13 percent. What is very important is the fact that some subbranches of machine building were sped up powerfully, thus bringing a modernization to its structure as well as technical supply of the entire economy.

Under these conditions and powerfully anchored in the dynamism characteristic of the Romanian economy, the activity of machine building for the first two years of the current five-year plan was based on fulfilling the tasks from the priority programs, particularly those on development of the base of raw materials, insuring energy independence and mechanization of agriculture. As a result, we satisfied the need of the national economy better, until now, compared with 1980, achieving 14 percent higher production for mining equipment, 25 percent higher production for oil equipment and 5 percent higher production of agricultural machinery.

For the first 10 months of 1982 compared with the same period of the year before, we achieved an additional production of more than 480 million lei for energy equipment and approximately 3,300 pieces for equipment for agricultural mechanization. In this context, it was possible to increase net production compared the first year of the five-year plan by around 6 percent, more than 5 percent for goods production, together with achieving an active balance of imports.

[Question] Please give us some of the more representative new products.

[Answer] In this regard I would mention the electrically-activated drilling installations, drilling bits with bearings of sintered carbide, drive complexes in the lignite and pit coal mines, home-heating boilers from those for one apartment up to those for 10,000 apartments, steam boilers from 2-1,035 tons of steam/hour, various types of turboaggregates and hydroaggregates, water-water heat pumps from 31,500-63,000 kcal/hour, Diesel motors of 280 HP with superfeed, compressors for nonaggresive gases without oiling, 4-7 rods with a .7 mc/minute discharge, a diverse range of hydraulic cylinders, excavators, bulldozers and large-capacity tip trucks, interurban buses, hinged buses and trolleys, electric Diesel locomotives from 1,250-4,000 HP, hydraulic Diesel locomotives from 180 to 2,400 HP, more than 20 types of very heavy train cars, various types of freighters of 15,000, 18,000, 55,000 and 65,000 tdw, roll-on/roll-off technical ships of 4,800 tdw and types of oil equipment, floating pumping stations, caterpillar tractors, heavy bearings with a diameter of 2,150 mm and others.

Also forecast for this year are priority increases for a number of specific products such as drilling well installations (3.5 percent), pumping units (37 percent), mining equipment (7 percent), hydraulic turbines (62 percent), fireproofing equipment (22 percent), sea ships (54 percent), tractors (15 percent), machinery and equipment for sowing (60 percent).

Finally I would like to mention that we are intensely concerned with fulfilling the tasks planned for achieving the level of growth for labor productivity so that 74 percent of the increase in production is achieved due to this indicator. It should be understood that we must support this with radical technical and organizational measures.

[Question] You have given us an impressive picture, for which we thank you. Given the importance of the action to achieve Romania's energy independence, I would like to ask you to present to us the contribution of the branch to implementing the national energy program.

[Answer] Proceeding from the fact that one of the basic characteristics of the program has in mind that around 50 percent of electric energy production by 1985 should be achieved in the thermoelectric power centrals on the basis of inferior lignite and bituminous shale, it has been established that the share of mining and energy equipment in the total new products being assimilated this and next year should annually exceed 25 percent.

For the mining sector we have assimilated mechanized support systems, installations for drilling mine shafts with 4-6-meter diameters, we have completed the range of excavators with portable bucket wheels with those of average capacity, for the specific deposit conditions in Romania we have built support complexes and mechanized drive combines. The oil sector has benefited from extending electric and Diesel electric drive for the drilling installations, from adapting installations to special climate conditions, increasing the degree of supply with tools and devices for mechanization and others.

[Question] And, yet, the mining sector needs much greater help.

[Answer] I agree with you and for that reason I have to say that following the indications given by Comrade Nicolae Ceausescu at the analysis in September 1982, we are modifying additional production capacities to build a greater number of excavators with portable bucket wheels and dumpers, we are providing maximum integration of the mechanized support complexes in Romania, we are achieving higher plan levels for the equipment needed for geological exploitation; even this year we have been taking action to satisfy the need for drilling tools to a greater extent and equipment for deep pumps. Actually, for the underground and surface operations even this year we shall finalize the assimilation of a nearly complete range of the equipment provided in the program. Proceeding in this way, by the end of 1985 we shall reach a degree of extending the application of extraction technologies with underground support complexes of around 60 percent.

[Question] And as far as the sector for production of electric and thermal energy?

[Answer] We are capable of producing with our own designs any type of boiler for different purposes. For example, we have succeeded in providing the concept for boilers of 1,035, 525, 420 and 120 tons of steam/hour, which supply groups of 330 MW, 150-125 MW, 50 MW and 12 MW with solutions for operation of the boilers in the optimum program, with a minimum addition of black oil. We have in mind building zonal centrals or industrial platforms, predominantly orienting ourselves toward the ones which achieve electric and thermal energy combined, and supplying the same centrals with boilers of the types and sizes which correspond to the purpose; they are boilers with grate with inverted thrust, with combustion in a fluidized layer, management of typified lignite which provides homogenization of the fuel and systems for holding back the ingredient from the coal. We are giving attention to achieving the transition of the small and medium boilers on solid fuels and equipment for crushing and handling the coal in the thermoelectric power centrals. We shall develop a powerful base for investigating combustion systems. With regard to the turboaggregates, we are completing a typified range, covering powers included between 2.5 and 330 MW. The equipment system for energy recovery in the consumption sectors will be diversified by using heat pumps and economizers, as well as the thermal turbine economizers under one megawatt. On the matter of hydroaggregates, we are manufacturing the ones included between 5-167 MW as well as microaggregates between 5-1,500 kW. The hydromechanical equipment needed for hydroenergy arrangements and waterways for irrigation will be built in a much more well-defined modular concept.

In order better to outline these areas, I should bring out that today we have available production capacities which can provide 90 percent of the need for equipment for the mining and energy sectors. In 1983, when the needs of production will be at their maximum, we also shall drawn on existing capacities for the hydroaggregates, boilers and so forth.

[Question] There are three more energy areas which you have not spoken of: nonconventional energy, reusable energy and nuclear energy.

[Answer] With regard to the use of new and reusable energy sources, I could tell you that it involves the construction of machinery in assimilating of new types of submersible pumps, solar collectors, wind turbines, energy equipment on biogas. The appropriate boilers have been designed for using some fuel waste products (cellolignine, sawdust, tree bark, chaff from flax and hemp, bisulphuric liquor, blast-furnace and coking gas).

With regard to nuclear energy it is proper to stress that if we can allow ourselves to treat it in a short period and with a rather high degree of integration, this is due to the great accumulations until now in the matter of technical supply and the party's policy of creating a powerful machine building industry. Actually this program currently involves nearly all the top sectors of the Romanian economy, particularly metallurgy, chemistry and machine building. We are mobilized toward building the necessary capacities, parallel with rapidly assimilating materials, technologies and products of nuclear technology. At the same time, we have opened working front for the development of a horizontal industry and aligning it with the quality requirements imposed by the manufacture of nuclear equipment. At the same time, within the actions of international cooperation initiated in this area we shall supply a maximum degree of participation of the machine building industry.

[Question] How do you evaluate the branch's contribution to implementing the priority program for supply with machine and diversified equipment for agriculture and the food industry?

[Answer] On the basis of the indications and under the permanent guidance of the party's secretary general, together with the Ministry of Agriculture and the Food Industry, we have worked out a program to build machine systems which provide for carrying out sowing in around 15 days, harvesting grain in around 8 days and corn in 30 days at most, and also carrying out vegetable-growing projects, fruit-tree growing, grape-growing and zootechnics under good conditions. It is a matter of highly-productive, modulated equipment with a high degree of standardization, using various equipments which do many jobs in one move, equipment which will promote efficient agricultural techniques, establishing aggregates which better use tractor power and in the end bring a powerful reduction in power fuels. An example in this regard is the multifunctional, high-capacity combine, equipped with detachable modules, independent ones, for harvesting stalks and corn stalks.

Also, we shall deliver in this five-year plan an adequate number of tractors, sowers, anti-pest machinery, recently modernized varieties of ploughs, cutters and tip trucks so that the majority of agricultural jobs can be completely mechanized, even on lands with a 25° incline.

[Question] As far as we know, you have a program of equipment needed for zootechnics.

[Answer] We are concerned with the program of providing improved types of batteries and other types of equipment for the zootechnical complexes. With regard to fodder, we have designed a machinery system for working on inclines, which includes 18 different pieces of equipment, using motor-driven trucks, self-propelled rake reaper which, starting this year, will mechanize the entire set of jobs in the hayfields and pastures as well as complete factories for combined fodder.

I should complete our concerns with the area of utilizing some energy resources of agriculture. We shall deliver equipment for the stations which produce biogas, providing thermal motors which use this energy fluid and we are ready to respond to the great requirements of the microhydroelectric power centrals. We are building submersible installations to collect the geothermal water for heating greenhouses and homes.

We have extended our activity by building some equipment to increase the degree of processing of agricultural products; being built are new machinery systems for the food industry, particularly for the oil, sugar, starch , glucose, margarine, meat, bread products and canned vegetables and fruit factories.

In particular, for 1983 we shall assimilate combined aggregates for fertilization, pest control and preparation of the germination layer and the administration of granulated and rolled insecticide for a 65-HP tractor.

[Question] We shall continue our conversation in a future issue.

[24 Dec 82, p 3]

[Text] [Question] We published the first part of our conversation with Comrade Stelian Teodorescu, deputy minister of the machine building industry. Below we publish the continuation of the conversation, mainly based on future problems of the branch. How have you taken action and what results have you obtained in the direction of material consumption?

[Answer] Continually in our attention has been norming the consumptions of materials and energy resources, continually comparing ourselves with the world indicators. The levels established for the consumption norms and normatives in the 1982 plan are much lower than those planned for last year, which means that this year each million lei of production-good from machine building is being obtained with around 2.7 tons less rolled steel than in 1981. Actually, 1982's production, which is increasing around 11 percent over 1981, is being achieved with a lower quantity of rolled steel than the previous year's consumption.

[Question] What have been the ways by which you obtained these reductions?

[Answer] We moved to special measures both along the line of the level of scientific research, technological development and introduction of technical progress as well as along the line of reducing consumption norms for materials. The measures mainly refer to finding and adopting construction solutions which lead to obtaining lighter products than the existing ones and using modern techniques which lead to increasing the coefficient of utilization, that is, reducing the technological losses of materials and, as much as possible, superior utilization of materials and reduction in any kind of consumption.

The state leadership analyzed the "Report on tasks to increase the degree of utilization of raw materials, materials, fuels and energy in industry for the 1982-1985 period," which provides that the entire industry should increase the degree of utilization by 35 percent in 1985 over 1980 (calculated for production-good), compared with the 30.2 percent which initially had been forecast. More emphatic tasks to increase the degree of utilization also have been forecast for our branch. The result is that in 1985, compared with 1980, machine building should reach a utilization of around 63,000lei/ton of finished rolled steel.

It should be noted that the plan for 1983 is to be fulfilled with the consumptions initially forecast for 1985, which means that each million lei in production-good of the machine building industry is to be obtained from a quantity of rolled steel which is 3.8 tons less than in 1981, which will lead to an increase in the degree of utilization for finished rolled steel of 20.8 percent compared with 1981. As stressed by the party's secretary general in the report presented to the national party conference, we must take action with all firmness to continue reducing material consumption, eliminate any waste, use raw materials judiciously as well as judicious recovery and reuse of all materials.

[Question] What have you undertaken and what are you undertaking for maximum utilization of recoverable materials resulting from the production process?

[Answer] We have taken and are taking firm action to utilize recoverable materials to the maximu materials such as casting dust, remnants of plastic materials and rubber, residues of carbide, boring dust, casting gates. For this purpose also forecast this year in the state plan for scientific research are some subjects like group technologies for centralized cutting of rolled steel and dimension cutting of the sheets, jet cutting and soldering of plasma, tests and experiments in working out highly-productive modern technologies for the reconditioning of used parts, building semimanufactured parts by continuous remelting of waste , carbide dust from the cast iron and steel and others. With a view to redistributing the reusable materials into production circulation, we are intensely concerned with building a machinery and equipment system for management of boring dust.

[Question] What products are represented in the export plan and what action are you taking to develop this particularly important activity in the current context?

[Answer] Our branch represents around 28 percent of Romania's total trade. Today we are exporting to more than 105 countries refineries, oil equipment, energy equipment, tractors, cars, trucks, road and railroad transportation material, complex cement factories, ships, products which encompass a high degree of processing and technical improvement.

For the development of these results we are involving the entire potential of the design, research and technological engineering institutes for the purpose of achieving an increase in the rate of return and average specific price per ton of equipment within the schedule of the special programs worked out for the 1981-1985 five-year plan which is to be concluded through continual improvement in the estructure of export and with products proven internationally more and more, parallel with reducing imports or accepting for imports just those products which insure compensation. Now, the task for those of us working in this sector, supplied with modern machinery and equipment, with highly-qualified specialists, thus , having the conditions to solve any tedhnical problem, is to take action in the spirit of the report presented by Comrade Nicolae Ceausescu at the recent national conference, that is, fully utilizing the technical supply we have available so that not only will we provide everything needed by the national economy but we will participate even more actively in carrying out exports and international cooperation.

For the same purpose we also are taking action in the direction of keeping on the market those products which have provided us with a leading place in the hierarchy of producers with tradition and constancy of beneficiaries; international statisticsplace Romania among the top place in the world hierarchy of countries producing oil equipment and the export of this equipment and among the top six big producers of motor vehicles in Europe. We can state that around 50 percent of locomotive importers are our permanent clients; our train cars are exported to more than 25 countries; ARO field vehicles are traveling on the highways of more than 55 countries.

[Question] What rise have you planned to increase exports in the current five-year plan?

[Answer] The volume of exports will increase at an average annual rate of 8.5-9.5 percent. So that the exports of machinery and equipment and means of transport are to represent more than 32 percent of Romania's total exports by 1985; the exports of "complex installations" must triple compared with the achievements of the preceding five-year plan, while the exports of technical assistance, licenses, documentations in total exports of complex equipments must increase 6-8 percent by 1985 compared with this year's 4 percent.

I do emphasize that a main problem for us in this five-year plan is to substantially increase the efficiency of our products' export and their sale at appropriate prices and continued improvement in the rates of return. We have in mind limiting and, in the end, eliminating from export those products with a noncompetitive currency contribution. At the same time, we must better develop economic and technical cooperation. So that, whereas for the economy as a whole in the 1981-1985 period this will reach 30 percent of total foreign trade, it must represent more than 50 percent of the volume of foreign trade for machine building products at the 1985 level.

[Question] A last question, comrade minister: how has the branch fulfilled its specific duties of contributing to a growth in the quality of the citizens' lives through its products?

[Answer] The plan indicator called "deliveries of goods to the market fund" is continually followed carefully by the enterprises and industrial centrals which are producers and the ministry.

To improve the working system at the enterprise, central and ministry level approval has been given to the minister's order by which workers collectives and measures have been established to provide for carrying out the production of consumer goods and for increasing and diversifying them.

The products from the profile of the machine building intended for the market fund are the Dacia 1300 cars, the ARO 10 field cars and the ARO Diesel, car spare parts and some household products.

In the first nine months of 1982, our ministry has delivered products for the market fund in the proportion of 102 percent of the state plan. In particular, I should mention the advance delivery of Dacia 1300's, ARO 10 field cars as well as spare parts for cars (gaskets, ferrodos, lamellas), some lights and others.

The attention of the enterprises, industrial centrals and the ministry currently is being concentrated on fulfilling this indicator for the fourth quarter as well, so that by the 1982 we can report complete fulfillment of the value plan for delivery of goods to the market fund. Parallel with this we are continually giving more attention to improving the quality of big consumer items.

In closing, I would like to stress that the main concern of the more than one million machine builders is to fulfill the major tasks belonging to us from the brilliant program of work for all the people as presented in the report which Comrade Nicolae Ceausescu presented at the national party conference. For that reason we shall make all efforts to build machinery, equipment and complex technological installations, with high outputs, which will contribute to the renewal and modernization of Romania's material-technical base and to increasing Romania's contribution to the world circulation of goods and values and to continuing to raise the national wealth and all the people's standard of living.

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PROBLEMS IN PLANNING IRON, STEEL PRODUCTION IN 1983

Belgrade CELIK in Serbo-Croatian Oct 82 pp 7, 9-10

[Article by Mileva Stefanovic: "Steel Mill Production Capabilities in 1983"]

[Text] It is a very complicated task to draft the production plan of the steel mills for 1983, under the new conditions that have come about. The available capacities of this industry were built to meet the domestic demand for steel, not for direct export, so that fitting it into the general social orientation toward export would require sacrifices which it cannot support. Especially since the existing capacities are not matched in terms of technological phases because of unfinished construction and construction that was not sufficiently synchronized, making this production highly dependent on imports as a consequence.

These unfavorable objective circumstances have been compounded by the consequences of a number of measures undertaken by the Federal Executive Council to stabilize overall economic flows. Ferrous metallurgy, which produces steel, which is among the basic capital goods, has been particularly affected by the considerable restriction of investment spending, since this reduces the opportunities for marketing steel and thereby reduces utilization of the industry's capacity. Then there is the effect of devaluation of the dinar in October. Regardless of the favorable effects this will have for exports and the competitiveness of the economy as a whole, it will have adverse effects on the operation of ferrous metallurgy, which is highly dependent on imported raw materials and production supplies and which is confronted with large payments of foreign exchange which have come due.

Past experience was followed in taking sales in the current year as the point of departure in drafting the plan for the coming year. However, because of the difficulties the economy has faced this year, especially those activities which are import-dependent, as is ferrous metallurgy, it is very difficult to estimate with any reliability what sort of output and operating results this industry will achieve between now and the end of the year. The level of output for the first three quarters is quite a bit lower than the level envisaged by the plan for all types of products of ferrous metallurgy. Iron and raw steel output in the first three quarters was lagging 16 percent behind the plan, and output of finished steel products about 8 percent. Given that trend, the output of iron, raw steel and finished steel products is 3-7 percent below actual output over the same period of 1981. As a consequence of that development of output, a rather high loss was recorded in the statement for the first three quarters.

Curtailed Demand Is Restricting the Growth of Steel Production

The balance of the consumption of steel products in 1982, which was cleared with consumers, called for the steel mills to deliver 4,224,650 tons, and approval was obtained for 1 million tons of imported steel products, so that total consumption of steel products was estimated at about 5,225,000 tons.

However, in the first half of the year the steel mills delivered only 1,686,000 tons, which is about 20 percent less than the quantity envisaged by the balance. Only about 417,000 tons were imported, or less than about 29 percent of the intended amount. Consequently, in all the domestic market had available only 2.1 million tons of steel products, or about 23 percent less than the quantities agreed on in the balance. The situation became even worse during the third quarter. The difficulties in the supply of basic materials to the steel mills tended to reduce production and deliveries, but even the importation of finished steel products did not keep pace with the plan. By all appearances the planned balance of consumption will not be achieved by the end of the year from either domestic sources or from imports.

On the optimistic assumption that by the end of the year deliveries from the steel mills will hold the level of 85 percent of the quantities contracted for, and that 90 percent of the finished steel products planned will be imported, then we can anticipate a consumption of about 4.5 million tons, or about 8 percent less than last year's level of total consumption. The draft of the resolution for 1983, the anticipated development, and the composition of industrial output do not offer the conditions for any essential increase in steel consumption in the coming year unless the metals industry undertakes an expansion of exports, which would also offer ferrous metallurgy the opportunity to increase its production on the basis of foreign exchange furnished jointly to import the necessary raw materials.

According to the draft resolution, it is assumed that industrial output in 1983 will increase by only 1 to 2 percent. Within that the metals industry will have growth rates differing from activity to activity, and the greatest influence on overall growth will be exerted by the trend of the metal manufacturing industry, which at present does not seem to have conditions for faster development. It is estimated that the metals industry as a whole will keep pace with the growth of industrial production or grow just a bit faster. In view of the level of consumption of steel products which will be achieved this year and the other conditions which will be operative, there is no basis for any significant growth of consumption in the coming year either. It is estimated that steel consumption in 1983 may even be below the level of consumption in 1981, and only 2 to 3 percent greater than actual consumption this year. As a practical matter this means that the year 1983 offers the conditions for a consumption of only about 4.6 million tons of finished steel products (from the domestic production of the steel mill and from imports).

The restrictive influence of reduced demand on the growth of steel production will be compounded still more by the production capabilities of the steel mills, which in the coming year remain limited by a number of disproportions between the capacities of the various technological phases. Not a single new facility has been completed either in the iron mining industry or in the production of iron and steel that could mitigate the large shortage of metal and reduce the large shortage of semifinished products from rolling mills, which has lasted for years now.

Iron Mine Capacity Less Than Demand

The output of iron mines, according to the assessment of the mines and assuming there are no unforeseen circumstances, could in 1983 cover about 4.5 million tons, which is approximately the level of this year's production plan. Since the capacity of raw iron producers can smelt larger quantities of ore, about 2 million tons of ore will need to be imported again in 1983. It is estimated that the value of this ore will amount to about $60 million. Most of these purchases, about 95 percent, are made in areas with convertible currency, which creates particular difficulties for the balance of payments and thereby uncertainty as to whether they will take place. Imported iron ore purchases in the first three quarters indicate that we can hardly expect that the quota of 2 million tons of ore approved for this year will actually be imported. In the first 6 months of this year less than 40 percent of the quota was imported because of the lack of foreign exchange, and that will cut back the production of iron and steel and ultimately the production of finished steel products as well.

The set of problems related to foreign exchange remains the same in 1983. They will indeed become still worse, since domestic deliveries will also depend to a large extent on the availability of foreign exchange to purchase the most necessary spare parts for the mines. This is indicated by the increasingly frequent shutdowns in mining.

Coking Plant Capacity Could Cover the Needs

The available capacity of coking plants could cover all the needs in the country through its coke production in 1983 assuming that imported coking coal is purchased in good time. In 1982 numerous problems arose in obtaining coking coal. In large part they occurred because the republics and autonomous provinces did not discharge their obligations in conformity with the Law on Allocation and Use of Foreign Exchange for Payment of Imports of Petroleum, Petroleum Products and Coking Coal. These problems have not been overcome even yet. What is more, there has been a noticeable tendency toward deterioration of the supply of coking coal in the second half of this year, which will bring about reduced deliveries of coke to the domestic market, meaning new disruptions for several work organizations. This entire situation indicates that there is reason to fear that there will again be problems in obtaining funds to purchase coking coal in the coming year, 1983, especially on the market of countries with convertible currencies.

In 1983 coke producers plan to produce 2,312,000 tons of coke, which is about 10 percent less than the output envisaged for this year. The country's needs for coke would be covered by those quantities.

Yugoslavia's energy balance for 1983 called for importing 3.5 million tons of coking coal. If that takes place, that amount would be enough to meet the needs of the coking plants. Assuming a price of about $82 per ton of coal, funds amounting to about $252 million will have to be furnished for coal purchases to meet the needs of ferrous metallurgy (including ferroalloys); about 65 percent of the coal would come from the bilateral payments area and 35 percent from the convertible area.

A 6.5-Percent Larger Production of Iron Has Been Planned

Since the steel mills lack considerable quantities of metal for better utilization of rolling mill equipment, iron producers have assumed in the first projections of the plan for 1983 a production of iron that would be 6.5 percent greater than the planning forecast for this year. This increase would be achieved through better utilization of existing units through better preparation of the charge and through utilization of other unused potential. An output of 3,402,500 tons of iron has been planned, 3,159,500 tons of which would be for further processing of raw steel, while 243,000 tons would be gray iron. However, this year's planned output of iron is not being achieved. In the first 7 months it was down 10 percent. This is in part a consequence of the overhauling of the blast furnace in Smederevo and in part the halt of production at one blast furnace in Zenica because of the shortage of iron ore and coke.

Five-Percent Larger Steel Production Planned

A raw steel production of 4,937,000 tons is planned for the coming year, which is about 5 percent more than the planned production for the current year. We must immediately say that this year's plan for the production of raw steel is not being fulfilled because of difficulties in the supply of basic raw materials which are imported and because of electric power restrictions. It is estimated that raw steel production this year will be about 5 percent below the level planned, which means that it would only be with exceptional great efforts on the part of the steel mills that in 1983 they could achieve the planned production of raw steel, which would be 10 percent greater than this estimated production by the end of 1982.

In spite of the difficulties it is a good thing that increased steel production is being assumed, above all an increase of about 8 percent for steel made by the L-D process, while the production of electric steel would be only slightly below what was planned for 1982, since this diminishes the imports of steel scrap. However, the domestic production of raw steel planned for 1983 offers the possibility of a production of only about 3.9 million tons of finished steel products. This means that sizable quantities of semifinished products must be imported to meet the needs of the market for finished steel products and for better utilization of the capacity of rolling mills and finishing lines that have been built.

A Sizable Jump in the Output of Ferroalloys Is Assumed

Thanks to the new producer that has gone into production, "FENI" in Kavadarci, which will be supplying ferronickel on the market, ferroalloy producers plan appreciably larger production for 1983 than achieved this year.

This year's production of ferroalloys was planned at 285,000 tons, and an output of 367,000 tons is assumed for next year. Most of the output of ferroalloys in 1983 is intended for export, and about 22 percent of this output, or about 83 million tons, for domestic steel mills. However, about 10,000 tons of ferrous alloys must also be imported to meet the needs of the steel mills.

A Smaller Output of Steel Products Is Planned

Producers of steel products plan an output of 4,645,000 tons for 1983, which is about 7 percent less than this year's production plan. This orientation of the steel mills is motivated by anticipation of large difficulties in obtaining funds to purchase imported semifinished products. This approach is supported by the fact that in the first 7 months of this year the production of finished steel products was down 19 percent from the planned level. On the basis of the first balances it is estimated that the planned production of finished steel outputs envisaged in 1983 will require not only that the planned domestic production of raw steel be achieved, but also that about 775,000 tons of semifinished products be imported, costing about $201.5 million. Because of the particular mix of the assortment of steel products, which will be adapted to the needs of the market, most of the funds necessary to purchase the imported semifinished products (about 65 percent) would have to be convertible currency.

From the first consultations with steel consumers concerning the possibilities of adapting production to the needs of the market the assessment was arrived at that about 4.36 million tons of the planned production of steel products can be sold on the domestic market, while an export solution will have to be found for about 285,000 tons. However, these are merely global computations. More detailed comparisons indicate that all the grades and types will not have a domestic market in the quantities offered. So that it will be necessary through new efforts to reconcile the plans of producers and consumers to achieve the maximum possible progress in orienting the available raw steel toward production of those particular products which have a guaranteed market.

Although we still do not have any reliable balances on the market's ability to absorb steel in the coming year, the first computations with consumers indicate that domestic output will not be sufficient in the case of cold-rolled sheet and strip (a shortage of about 250,000 tons), ship plate and shapes (a shortage of about 175,000 tons), rolled and drawn wire (about 140,000 tons), seamless pipe (about 92,000 tons), tinplate (about 90,000 tons), etc. Consumers are requesting imports amounting to about 1.3 million tons of steel products. These requests, however, should be taken with reserve. It is a fact that in the first 9 months of this year only about 664,000 tons were imported, and if that pace continues, barely 900,000 tons will be imported by the end of the year. How justified those requests are will be confirmed only in coming months, when the individual requests are taken under consideration with the consumers in the light of all the circumstances which could determine imports.

Consumers Are Interested in as Much Domestic Steel as Possible

The planned balances of the production plan of the iron and steel industry being surveyed indicate that the import-dependence of the steel mills is still high. According to rough calculations, about $600 million will have to be paid solely for the basic raw materials (iron ore, coking coal, steel scrap, semifinished products, ferroalloys and refractory material), about 57 percent of which would be in convertible currencies. Assuming the planned output of about 4,645,000 tons of finished steel products, it follows that about $130 need to be furnished to purchase raw materials and semifinished products for every ton of steel products produced. This is not something which has just been learned. The lag in construction of primary phases of production behind the capacity agreed to in the Agreement has canceled the import substitution of raw materials and intermediate products that was counted on in the last 5-year plan. Outlays to import only materials containing metal amounted to about $1.6 billion in the last 5-year period, and these imports have moreover been growing progressively from year to year. Whereas back in 1976 the imported content based only on imported metal was $62 per ton of steel products produced, in 1980 this dependence rose to $151. If the anticipated construction of mines and blast furnaces had been achieved, the dependence on imports in 1980 would have amounted to only $25 per ton of steel products. The requests of the producers to import raw materials and semifinished products in 1983 for the purpose of fuller utilization of capacity would have been appreciably greater had difficulties with the balance of payments not been a limiting factor.

The steel mills are unable to furnish the necessary foreign exchange themselves. The funds realized through direct export of steel are relatively small and are used first of all to make repayment of credits in foreign exchange and to purchase the most necessary spare parts to support current production.

The way out must be sought through a common understanding with the metals industry, especially that part of it which is oriented toward export. The truth is that every ton of steel products produced by the domestic steel mills means $130 of imports. However, if the decision is made to import finished steel products, the outlays of foreign exchange would be incomparably greater even in the present recession. For instance, the average cost price per ton of imported steel products would be about $650 (over the first 9 months of 1982), and a ton of semifinished products about $285. Consequently, not only do the national balances show that it is more favorable to organize steel production within the country, assuming timely purchasing of the necessary imported raw materials and production materials, but this is also indicated by the individual accounts of every organization of associated labor in the metals industry. That is why the closest possible collaboration with large steel consumers needs to be ensured in the further drafting of the plan of the steel mills for 1983 for the sake of maximum adaptation of the production of finished steel products to the needs of manufacturers, which would in turn be a contribution toward maximum possible orientation of processed and manufactured steel toward export.

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ZEMLJARIC DISCUSSES SLOVENIAN ECONOMY'S PLACE IN SFRY

Belgrade BORBA in Serbo-Croatian 22 Jan 83 p 11

[Article compiled by J. Pjevic from interview with Janez Zemljaric, chairman of the Slovenian Executive Council, by editors and staff members of the Ljubljana newspaper DELO: "Differing Circumstances--The Same Interests and Goals"; date and place not specified]

[Text] In a lengthy conversation with editors and staff members of DELO of Ljubljana concerning the socioeconomic development of SR [Socialist Republic] Slovenia during this year, Janez Zemljaric, chairman of the Slovenian Executive Council, also took up certain remarks which have been made about the Slovenian economy's position in Yugoslavia and about relations between the more advanced and underdeveloped republics.

Oversimplified Judgments

In connection with what KOMUNIST wrote to the effect that the more advanced republics are taking advantage of the underdeveloped ones since they are receiving export incentives for larger exports, so that income is being siphoned from the less developed parts of the country to the advantage of the more advanced parts, Zemljaric emphasized that such judgments are highly oversimplified. Such critics, he said, are not aware of the kind or number of difficulties faced on the convertible market by export-oriented organizations with respect to price, quality, assortment, equipment, warranties, servicing, and so on. They are not aware of all the efforts necessary for organizations of associated labor to fulfill the conditions of the international market. In spite of higher productivity and better-quality production, organizations of associated labor are still realizing on the convertible market between 20- and 30-percent lower income than on the domestic or other markets. For example, last year many organizations of associated labor in Slovenia deliberately undertook sizable losses in order to export to the convertible market since the prices obtained, plus all the domestic incentives, could not cover the price differences that have come about. Here we should also recognize that we have increased the sum total of export incentives because of the policy of an unrealistic rate of exchange of the dinar. Were we to adapt more consistently to the convertible currencies, then we would also be able to diminish substantially the amount of incentives. Much the same is true of objections concerning the monopoly position of the exporters. The door to the convertible market has been and remains open to all organizations of associated labor.

Without Tendentious "Rooting"

With respect to the criticism of certain newspapers in some republics to the effect that the Slovenian economy and Slovenia in general are closing themselves off within the republic and also with respect to the reproaches which have been made of Slovenian views concerning the foreign exchange law, Janez Zemljaric said:

I feel that such occurrences, the one-sided and inaccurate writing, are only one more proof that we must take up individual cases, the difficulties and specific features of the republics and provinces, more tolerantly and responsibly, without tendentious "rooting" for only one of them, frequently a view that is not presented altogether objectively, and we must have more mutual understanding. Associated labor and other entities in our republic have in recent years submitted numerous proposals and initiatives for resolving individual issues and relations in reproduction and for guidance of economic policy so that the difficulties in achieving goals in the field of exports and the production it requires would not be still greater. At great sacrifice we have appreciably augmented exports of goods and services to the convertible market and we are continuing to organize ourselves for more rapid solution of that key structural problem of Slovenia and of Yugoslavia.

As for foreign indebtedness, Zemljaric emphasized, associated labor in SR Slovenia has consistently kept in mind its abilities to repay the credit taken and has increased its exports to the convertible market more than it has increased its indebtedness denominated in foreign exchange. For several years it has been investing sizable resources in fuel and power facilities not only in Slovenia, but in other republics as well, and as a consequence we now have relatively fewer difficulties in the supply of energy than in certain other parts of the country.

We have warned several times that certain measures of economic policy were not so conceived that it was possible to obtain the desired results with them. During the adoption of certain necessary amendments and supplements to the foreign exchange law, the representatives of our republic warned above all that the worker in the organization of associated labor is not the one who regulates relations in this domain of reproduction; he has the same status, rights and responsibilities toward this portion of the assets of society as he does toward other assets of society, and above all they warned that in making the amendments we dare not diminish income-sharing incentives and other incentives which promote exports to the convertible market. Resorting to complete administrative collection and distribution of foreign exchange, which under the given conditions is in any case necessary to some extent, could, for example, have grave consequences for production, for export to the convertible market and for the country's external liquidity if we were to completely deprive workers in OOUR's [basic organization of associated labor] of the responsibility to furnish the foreign exchange they need for reproduction, either on their own or together with others. In all these debates, then, it has not been a question of any sort of separate Slovenian interests, but rather of a concern that in certain decisions we not turn away from the paths committed to self-management and out of a concern that we adopt decisions whereby we will create conditions throughout our society for attainment of the necessary higher economic results. Disinformation and misattribution, which have occurred here and there, certainly do not help.

Incomprehensible Name-Calling

With respect to certain criticisms to the effect that Slovenia is introducing commodity trade and quotas within relations based on shared income and joint ventures in other parts of the country, Zemljaric emphasized that Slovenian organizations of associated labor were even in previous years investing sizable resources in joint projects in Vojvodina, Croatia, Bosnia-Hercegovina and other parts of the SFRY and were developing a number of forms of cooperation which are today yielding noticeable results. It is not at all clear, he said, why some people who just yesterday were complaining so much about the rounding off of chains of reproduction within the boundaries of republics and provinces are now attempting to discredit that varied linkage and are describing it as a kind of barter exchange among the republics and provinces. Unless there is linkage of associated labor, there will not be progress. Today even the most centralized and most administrative economic systems in the world are seeking economic motivation and new forms of linkage of enterprises and worker incentives. That is why we must move more boldly in the development and meaningful improvement of these processes in the spirit of the Law on Associated Labor, regardless of the labels some people put on advanced linkage of associated labor outside the borders of republics and provinces through income sharing and in the spirit of self-management (even with respect to foreign exchange obligations).

Janez Zemljaric, chairman of the Slovenian Executive Council, also made the case for why Slovenia is unable to reduce investments to the extent that has been planned for the country as a whole. Over the last 3 years, he observed, we have reduced investments in fixed capital in Slovenia by 35 percent in real terms. We deliberately decided on that kind of reduction, since we thought that the share of investments in the social product was excessively high, and also so that a number of planned investments would not augment the structural disproportions in the economy still more. Yet 2 years ago we also began to prepare and check out long-term capital investment programs in a professional way and with better social backing. Aside from organizations of associated labor, this effort is also done by commissions for evaluation of investments. Experience has shown that this effort is worthwhile, though there have been quite a few objections about them and a great deal of dissatisfaction.

Zemljaric emphasized that we cannot consent to a further linear reduction of investments, since the situation varies considerably from one republic or province to another. Nor will it be possible to find a way out of present difficulties without making investments in certain priority activities. First of all we must invest in production for export. All new economic investments in our republic except those in agriculture, the fuel and power industry and transportation, are subject to the commitment that we must commit at least 50 percent of production to export to the convertible area. New projects must contribute to a maximum degree to augmenting exports to the convertible area, to restructuring and to technological modernization. The funds for them must be furnished primarily by organizations of associated labor, and in doing this they must establish self-management linkage throughout the entire economic space of Yugoslavia. Along those lines many organizations of associated labor have already prepared ambitious projects.

Supply

With respect to the increasingly acute problems of supply and rationing coupons, Janez Zemljaric had this to say: "In Slovenia last year our supply gave us a great deal of work and many headaches. The public was not aware of the efforts required to furnish goods and at the same time to preserve certain reserves. At times it was also necessary to intervene with imports. Some people became angry that this was not undertaken in good time so that there would have been fewer difficulties. That would have been possible if we had had more foreign exchange at our disposal. As soon as we obtained the foreign exchange through exports, we immediately used one portion, for example, to import residual fuel oil and heating oil.

"Since in the last 3 years we have reduced real personal incomes in Slovenia by 20 percent, we have shown extremely responsible concern about export activity, and the working people have displayed a high awareness and responsibility for the conduct of economic activity, for work and for thrift, we have had and we do have to see that supply is well organized to some extent. I am afraid that it will be still more difficult this year to maintain last year's level.

"In many domains it will not be possible to increase production overnight, and the funds for imports do not exist. I think there are economic and political difficulties in making the decision to adopt rationing. However, in some places there will have to be long waits to obtain certain products. In view of this action, both in SR Slovenia and throughout the country, we must make greater efforts to improve supply. Unfortunately, sufficient specific readiness and the necessary efforts are not being displayed everywhere, and some people are still giving priority to other economic activities, for example, to importing equipment, and so on.

"The competent authorities in SR Slovenia are still studying the possibilities for organizing sales through central trading channels (matichniy trgovina), if very serious difficulties should still occur in supply."

7045
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YUGOSLAVIA

BRIEFS

EMPLOYMENT IN CROATIA--At the end of December 1982 a total of 1,437,323 workers were employed in the public sector of the Socialist Republic of Croatia. Of that total, 1,200,126 were in production and 237,197 in services. In comparison to 1981, employment grew by 2 percent in 1982. In production the growth rate was somewhat lower, amounting to 1.9 percent, while in services a growth rate of 2.3 percent was recorded. At the same time, a total of 14 categories of work in 6 production and 1 service sector achieved an above-average growth rate. The biggest differences in comparison to planned employment growth were in agriculture, fishing, forestry, waterpower engineering, crafts and health and social services. [Text] [Zagreb VJESNIK in Serbo-Croatian 15 Feb 83 p 4]

ALUMINUM EXPORTS--With the beginning of 1983 not only has the decline in the price of aluminum been halted, during the period 4 January-10 February the price per ton actually increased by $150 on the London exchange, according to Vlado Nimac, director for export-import affairs of the Aluminum Industry Complex Organization of Associated Labor "Boris Kidric." Nimac explained that the increase in the price of aluminum on the world market results in a stronger export movement by our aluminum industry, in which "Boris Kidric," headquartered in Sibenik, occupies an important place. The increase in the price of aluminum made possible a 4 percent increase in exports by "Boris Kidric" in the first month of this year in spite of difficulties in operations. For the sake of somewhat greater exports this year, in which an increase of more than 20 percent is planned, representatives of the Aluminum Industry Complex Organization of Associated Labor are negotiating an increase in sales to the convertible market. A delegation will soon visit the United States, for it is in the American market, after Scandinavia, that our republic's aluminum industry places the largest share of its exports to the convertible sector. "Boris Kidric," which employs 5,000 workers and annually realizes exports of more than $110 million, recorded an export product worth $8.3 million in the first month of this year, even though production during that period was lower by 1,500 tons as a result of power reductions. [Text] [Zagreb VJESNIK in Serbo-Croatian 14 Feb 83 p 5]

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